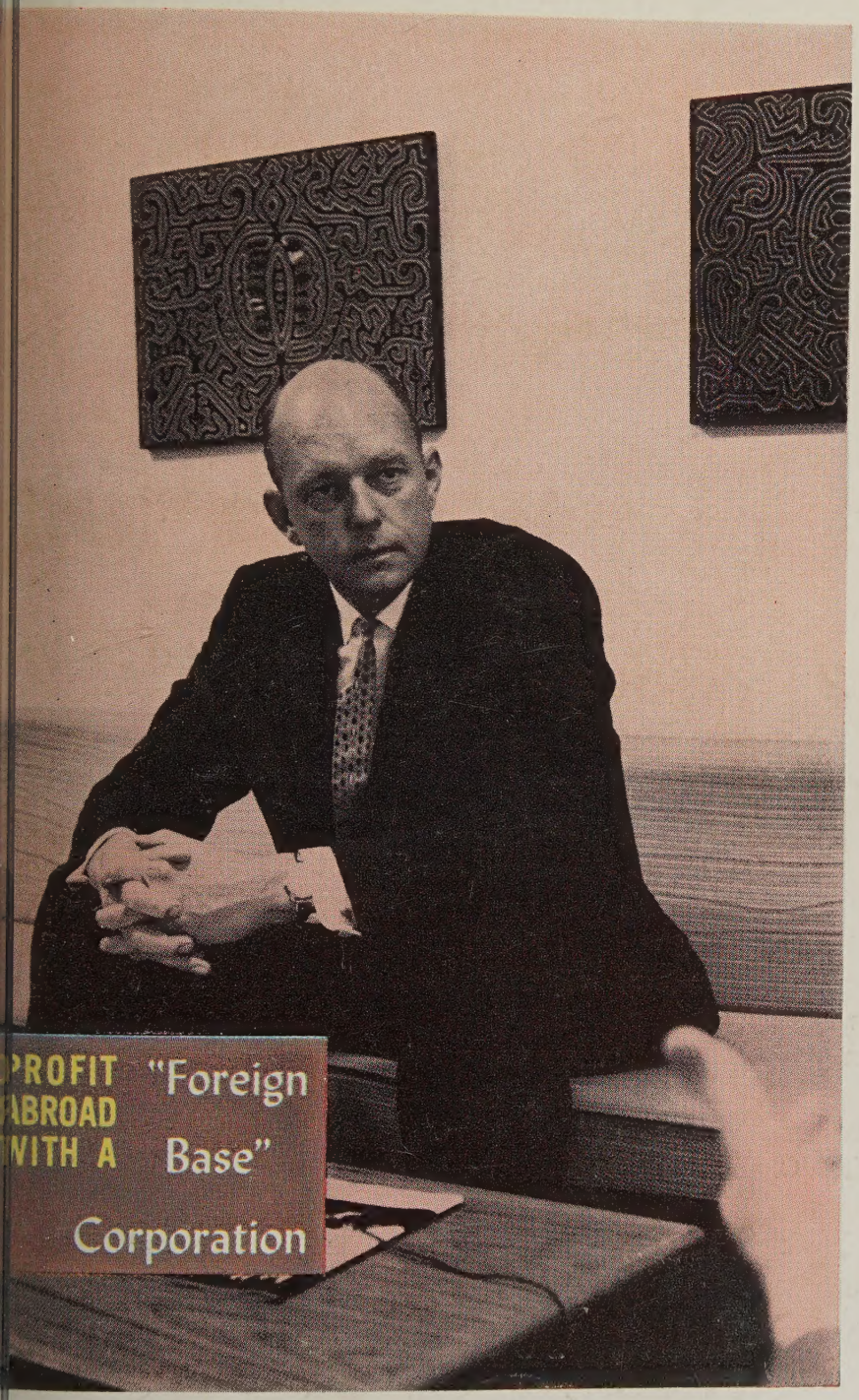
Management METHODS

DECEMBER 1960

PRACTICAL SOLUTIONS TO ADMINISTRATIVE PROBLEMS



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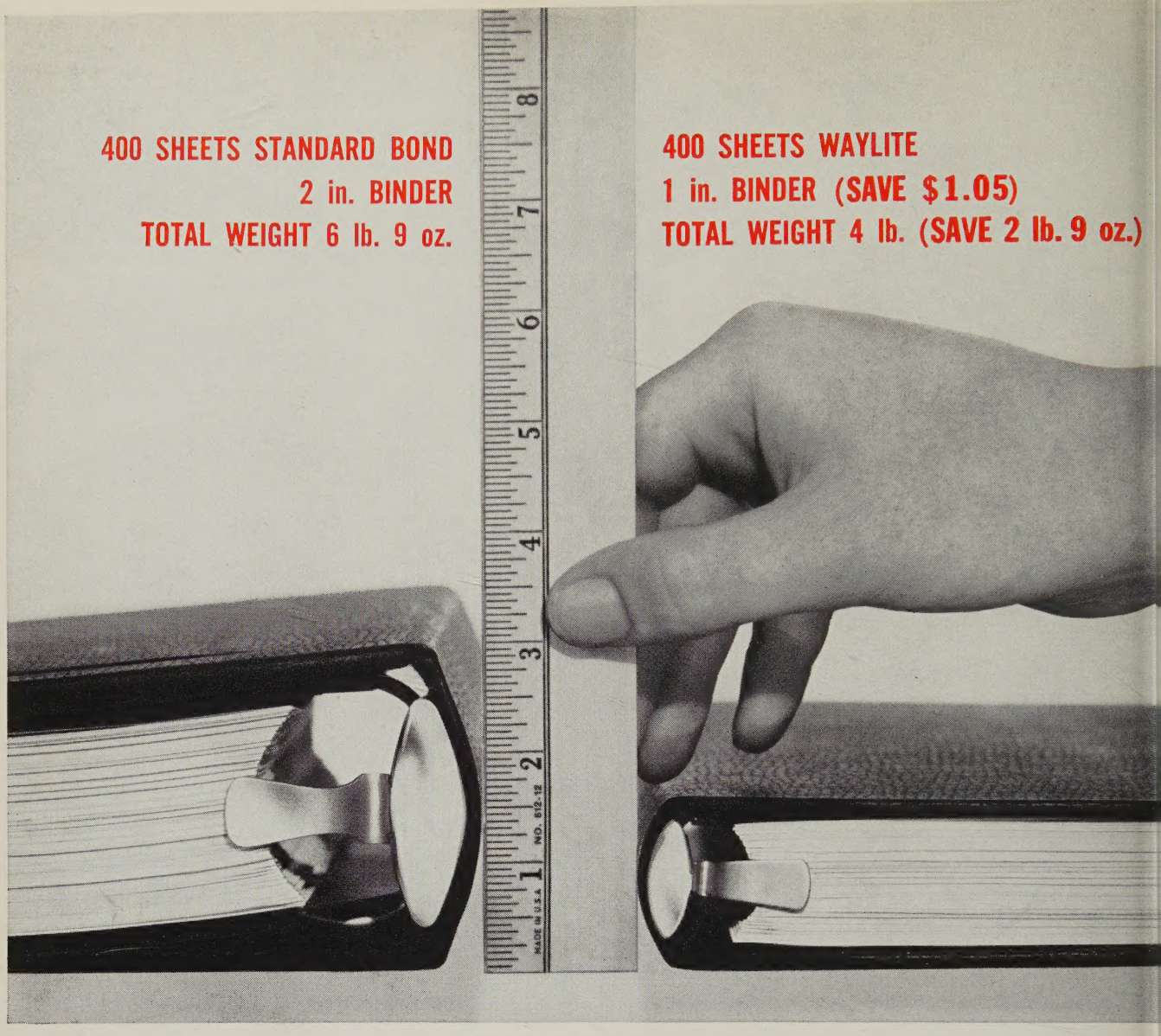
DOES YOUR PLANT INVITE THEFT

what to do When the Government Cancels a Contract

D. Vaughn, President of Overseas Management Services, Inc.



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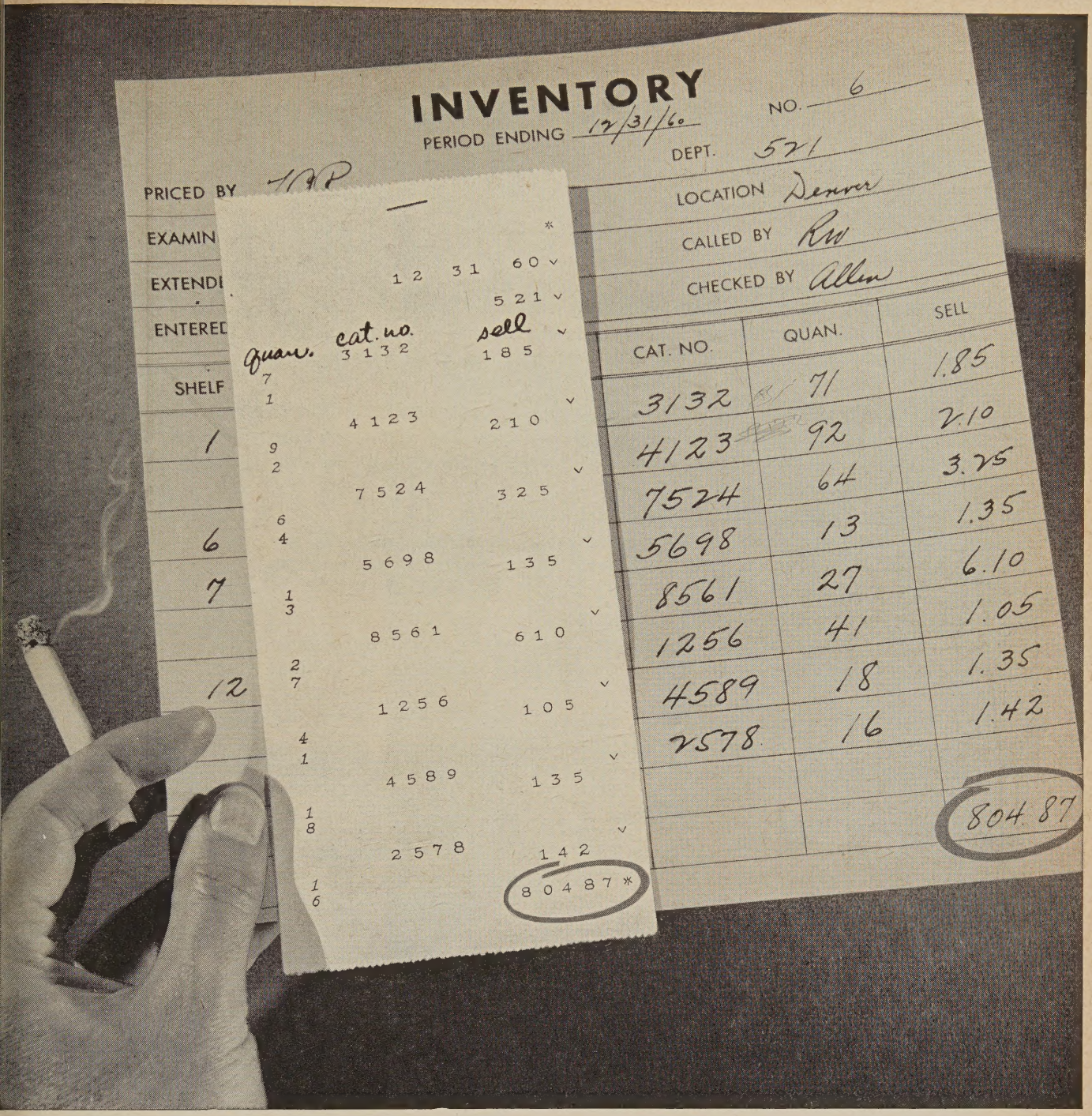

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Management
METHODS

December 1960

Christmas bonuses: who gives them and why? 20
How common are Christmas bonuses? Is there a trend toward or away from giving them? What are the pros? Cons? This survey report gives the answers.

How to build a fast growing business abroad with a foreign base corporation 41
Alert U.S. firms expand abroad with tax free dollars. Method: a foreign base corporation. It's a low cost way to crack new markets and get high returns.

What to do when government contracts are cancelled 47
Severe losses can result from cancelled government contracts. This case history report shows you how to neutralize the blow of a contract termination.

How to double or triple your reading speed 50
Quicken your reading speed and you'll have more time to get things done. This second of five articles shows how to cut your reading time in half.

How to halt a communications parade 52
When employees parade around in order to communicate, time and money are wasted. Usually the waste compounds itself. Here's how to stop it.

Does your plant invite theft? 55
Your plant may actually invite thievery. This checklist article shows how to set up low cost, do-it-yourself protection that can save thousands each year.

This movable plant office saves time and money 63
Noise, heat and vibration are barred from this in-the-plant office. It gives supervisors a place for desk work and meetings and can be moved easily.

How to fatten your sales by mail 70
Your list of customers and prospects is a priceless steppingstone to higher and higher sales. Here, an expert tells how to use that list to sell more.

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Coming next month

Next month's issue features an article on tension—the executive killer. It points out that you don't have to sacrifice your health for success and prosperity as a businessman. In fact, if your job is eating into your health, there's something wrong with either you or your job. The happy truth is that you don't have to give up the pleasures of the good life in order to protect your health. Just a handful of common sense guides will protect you from the insidious destruction of tension and other occupational hazards of your management job. Don't miss this key article; it is based on the findings of a doctor who has made a life-long study of executive health habits.

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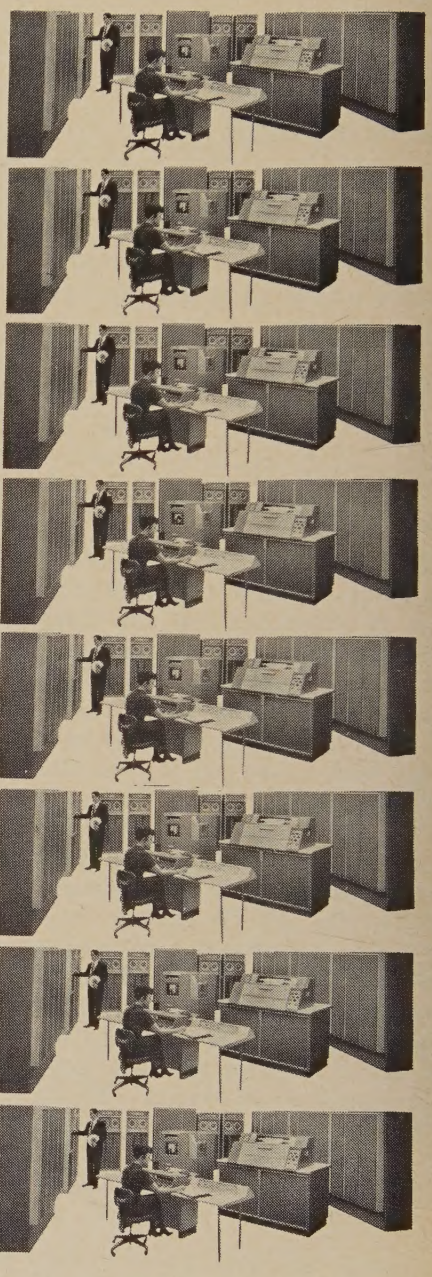

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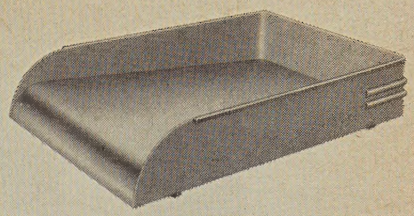

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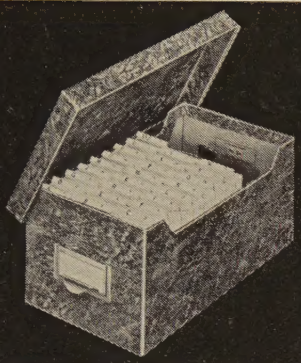

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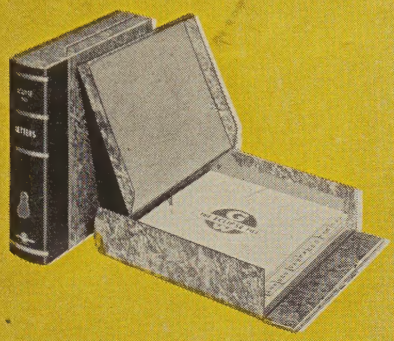

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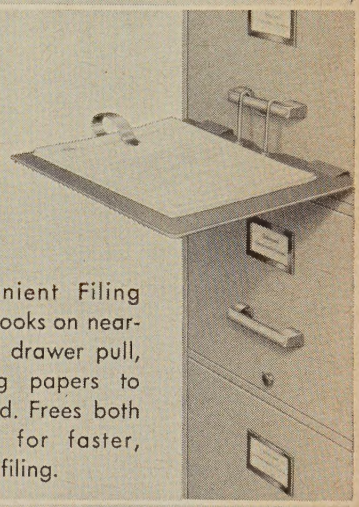

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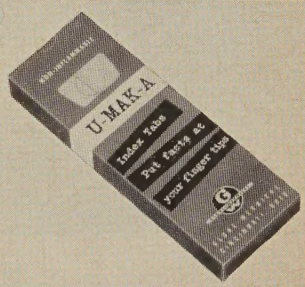

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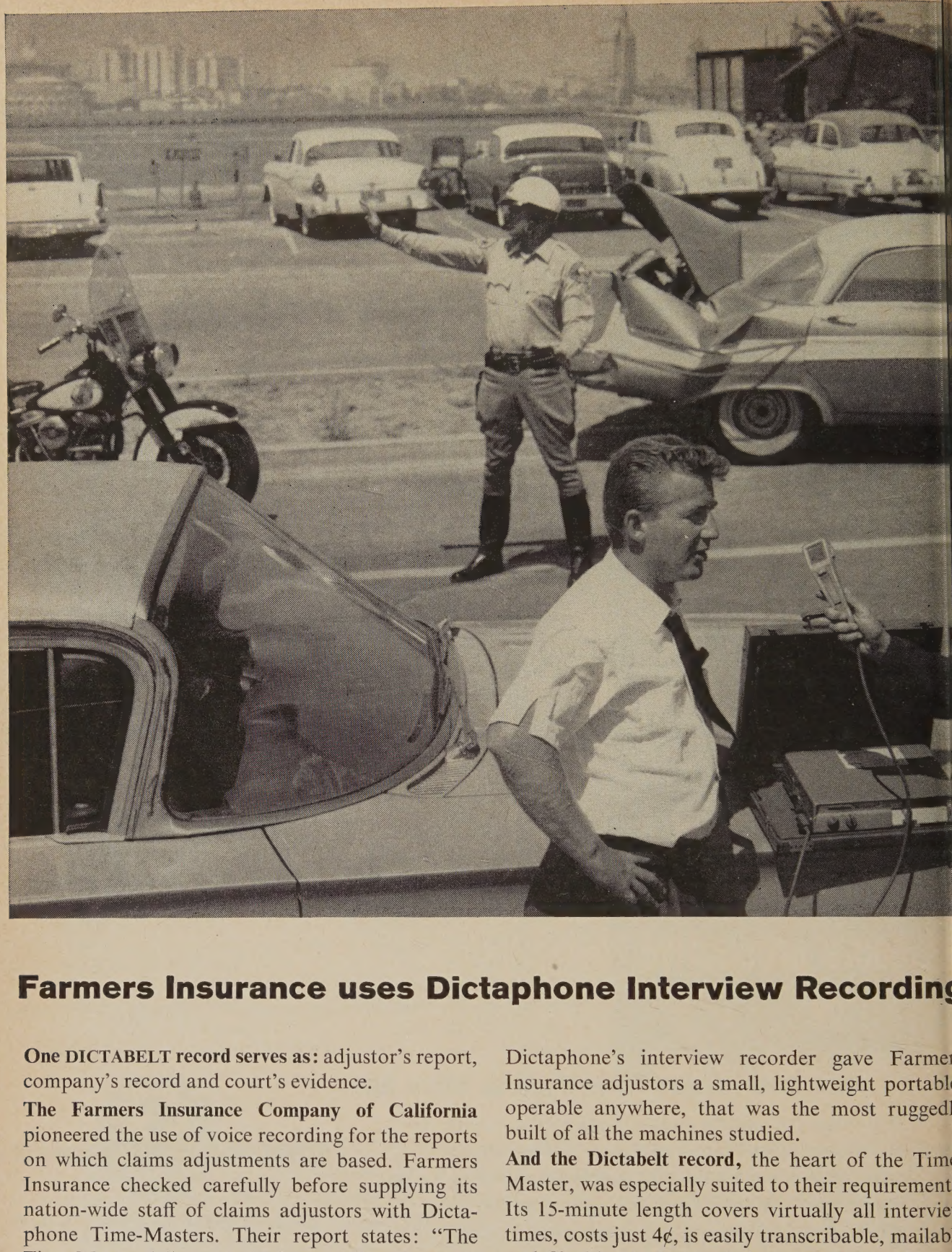

Farmers Insurance uses Dictaphone Interview Recordin

One DICTABELT record serves as: adjustor's report, company's record and court's evidence.

The Farmers Insurance Company of California pioneered the use of voice recording for the reports on which claims adjustments are based. Farmers Insurance checked carefully before supplying its nation-wide staff of claims adjustors with Dictaphone Time-Masters. Their report states: "The Time-Master delivers the highest quality of recording and reproduction of any machine tested." In making their choice of the DIRS, service was important, too, and Dictaphone with more complete service in more locations than any other company was what they wanted.

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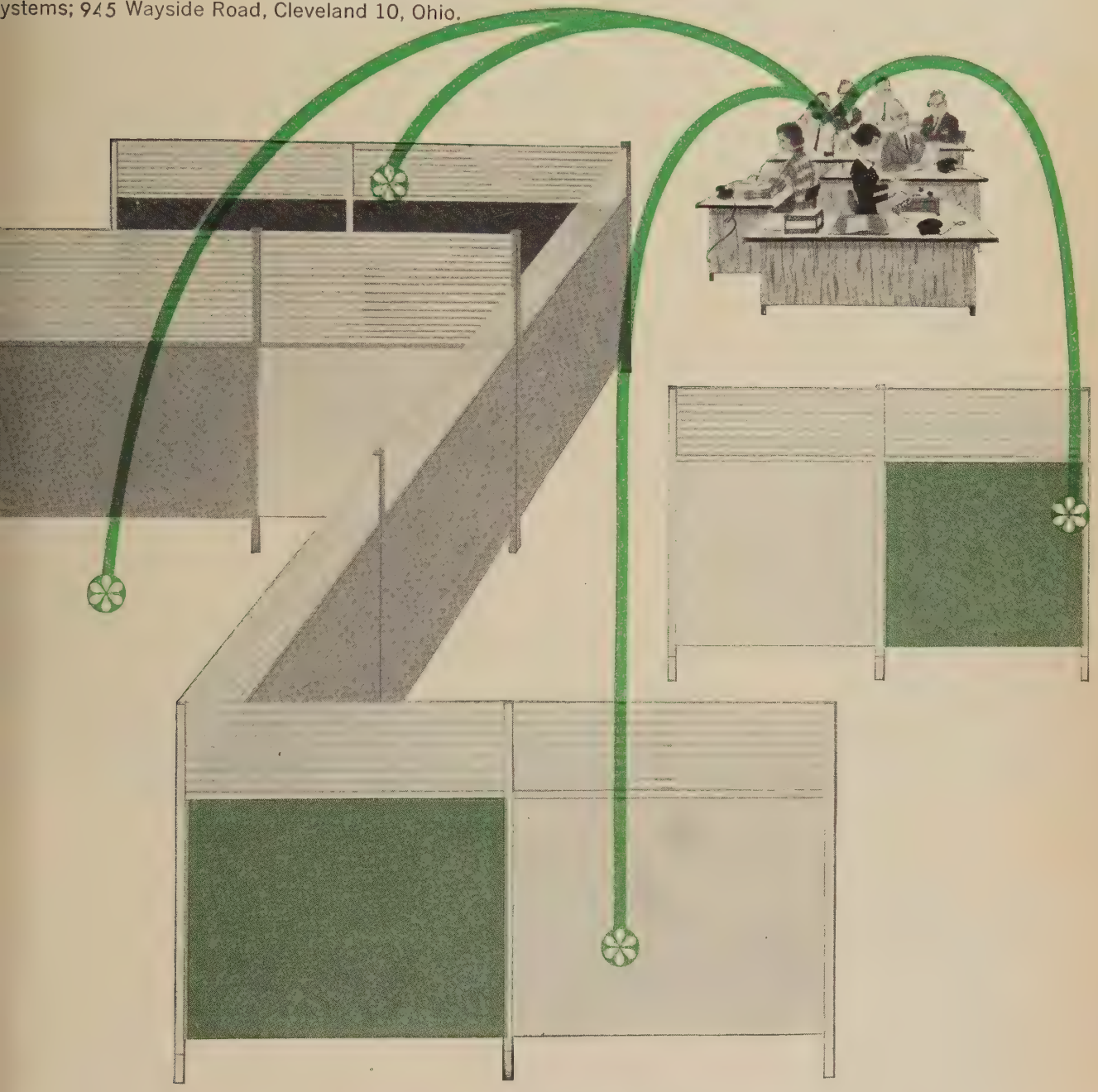

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Letters

Veight and air freight

ом: Obviously, your article *[Why he big swing to air freight?, Nov. 60]* was written by someone who as studied the air freight industry ery closely . . . the article is exeptionally well done, is factual and ontains most of the "plusses" of ir freight.

Perhaps I can help clarify some f the points brought up by those ompanies that responded to the urvey that you reported in your rticle. There was a section entled "Why don't you ship by air?" vhich included some common reaons why some companies don't use ir freight.

According to your article, the first eason why more firms don't use air reight is that they consider the verage weight of their shipments oo high. Actually, this is a reason vhy they should use air freight, ecause 1) of the minimum charge n air freight and 2) that rates tend o come down as weights increase. f a shipper's average weight is igh, he gets a better buy for his ollar than a shipper whose weight considerably lower. I don't think iat they really find the average eight of their shipments too high. think that what they meant in reying is that the rate was higher an they felt they could pay.

Several firms thought that air eight was too costly. Transportaon—as we all know—is only a small art of distribution. It is my feeling iat all of the factors entering into e total distribution dollar should e considered: items such as taxes, pital turnover, reduced inventory, ansportation, etc. Since distribuon represents approximately 59 nts out of each dollar spent to roduce and sell a product, obvisly it should be thoroughly ex-

WHERE DO YOUR SPIRIT MASTERS RANK IN THE

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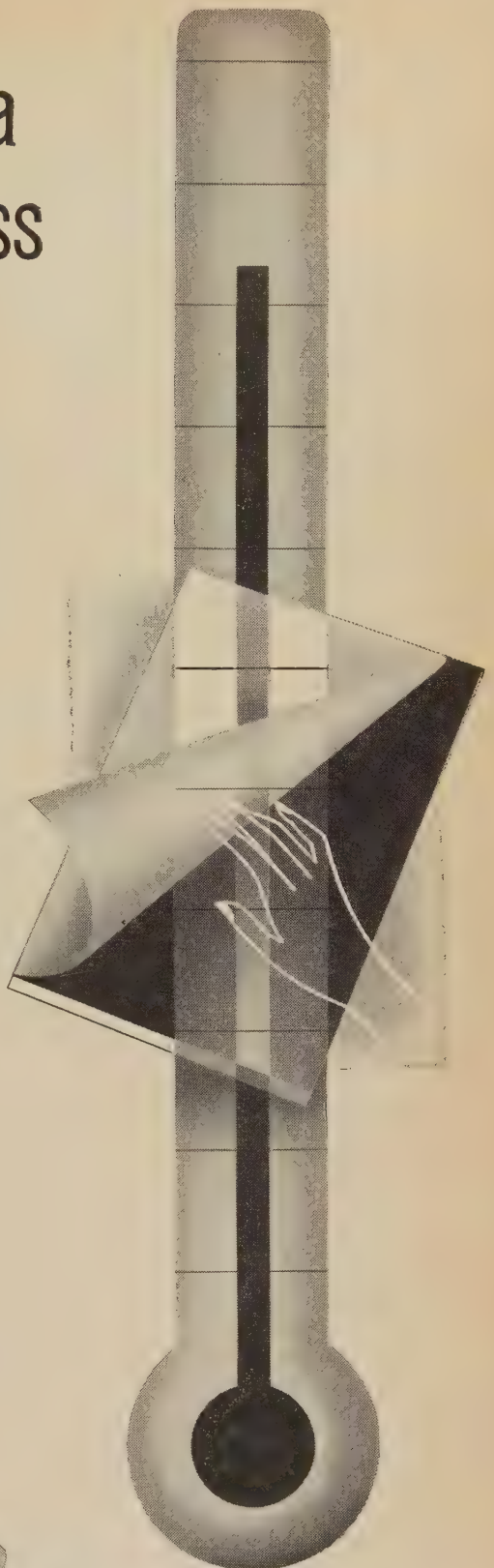

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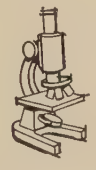

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at the Crossroads of the East

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amined—including the transpor tion.

This brings me to the point who makes the decision to use freight. Should it be the shippi clerk who differentiates betwe carriers in the same mode of tra portation? Should it be the purch ing agent or the traffic manage Or should corporate managem examine the overall distribution p ture in order to select the best tra portation method? We feel that t should be a top management de sion with the traffic manager taki part, instead of simply being an i dividual who determines whi truckline, which railroad or whi airline to use.

The third reason that some firm do not use air freight was given "Our present distribution operati is adequate." In my opinion, anyo who is satisfied with what he is d ing is not as progressive as his ma agement would like him to be. T same comment would apply those who are satisfied with the other services.

Your survey report, in my opi ion, was exceptionally well do and I know that it cannot help b stimulate a considerable amount thought among your readers w have not yet explored the many a vantages of air freight.

JOHN POG
MANAGER OF CAR
DELTA AIR LINES, IN
ATLAN

Among the missing

SIR: It came as somewhat of shock that your October issue fail to mention the international Sy tems and Procedures Association the "Associations that can ser you" article.

Assuming that you want yo magazine to be complete, we su mit the following information abo our organization:

Systems and Procedures Associ tion, 4463 Penobscot Building, D troit 26.

Dar E. Tisdale, Executive Sec tary.

Membership: 3,300 systems an lysts, supervisors, managers, a administrative executives.

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SYSTEMS & PROCEDURES ASSOCIATION
DETROIT

ead more in less time

IR: I have read with considerable
nterest, the first of your series of
rticles on the subject of improving
eading skill *(see page 50)*. With
ne constantly rising amount of
must" reading in business and in-
ustry, every manager and techni-
al specialist must learn to read
nore in less time.

It might interest you to know
nat in response to hundreds of re-
uests from executives of leading
usiness and industrial organiza-
ons, Industrial Education Insti-
ute, in cooperation with The
eading Laboratory, developed a
vo-day seminar on "Increasing
echnical Reading Capacity."

At these intensive workshop semi-
ars, participants are taught funda-
nental techniques for improving
eading skill. I thought you might be
nterested in the results achieved.

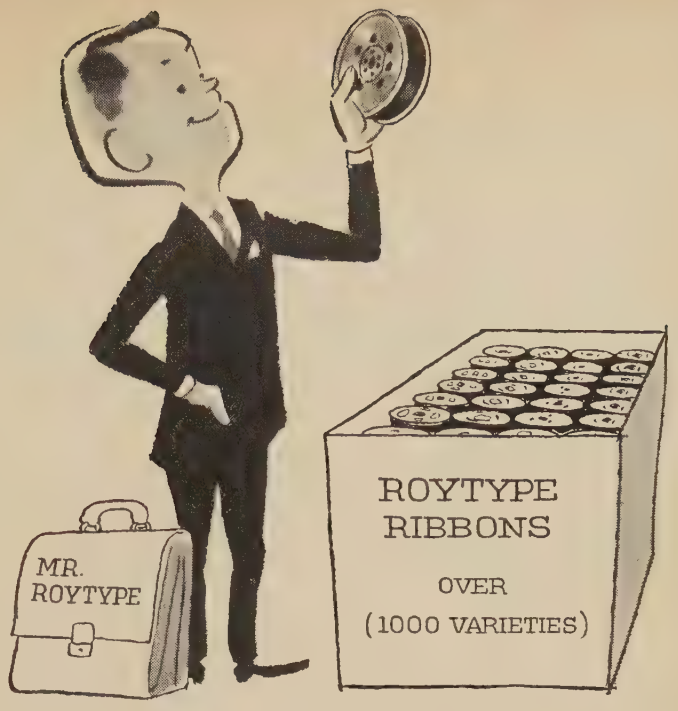
From information received from
ur seminar evaluation forms and
ther sources of feedback, we have
eached the following conclusions:

1. By learning and practicing
ertain techniques, any manager or
echnical specialist can increase his
eading speed as much as 100% and
ven more.

2. In addition to increasing his
peed, he increases his reading
omprehension (understanding of
hat he reads) and his retention of
seful material.

3. Equally important, the gains
e makes in speed, comprehension
nd retention are lasting.

With results like these, any man-



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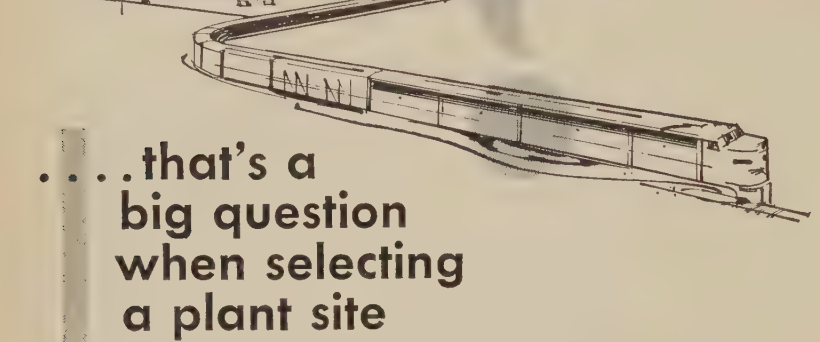
How about available TRANSPORTATION



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Industrial Development Dept.

UNION PACIFIC

Railroad

OMAHA 2, NEBRASKA

(Circle number 147 for more information)

ager or specialist can improve value to his company and hims by taking the time to increase reading capacity.

FREDERICK W. BRIG
INDUSTRIAL EDUCATION INSTITU
BOST

New product development

SIR: Your article, "How to sk traps in new product developmen [*MM, Sept. '60*] is one of the m helpful and specific articles of kind we have read to date.

Our own company growth h been largely dependent on the fective introduction of new pro ucts. I only wish that we had be able to have the benefit of your ar cle many years ago when we start our new products program. It cou have saved us a great many pro lems.

In these busy days when we ha so little time to read all availab material, it is a pleasure to find presentation of other experienc businessmen in a clear and usef manner. I will look forward to ma other such articles in MANAGEME METHODS.

VICTOR GE
NATIONAL SALES MANAG
WOODHILL CHEMICAL COR
CLEVELA

Look before you leap to rescue

SIR: On page 32 of your July iss you carry the story headlined "Ga thanks of overtime parkers." This a most interesting item describi a warm-hearted action on the pa of a hotel: putting a nickel in e pired parking meters, and attac ing a note of explanation to the c rescued.

But, one of our executives war your readers to check the local la before doing the same thing. He b lieves that in Evanston, north Chicago, a man was arrested f playing this kind of Good Samarit role.

A. J. TOB
NORGE DIVISIO
BORG WARNER COR
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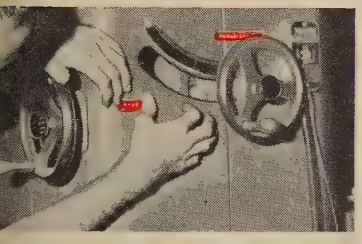
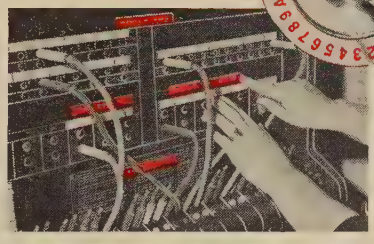
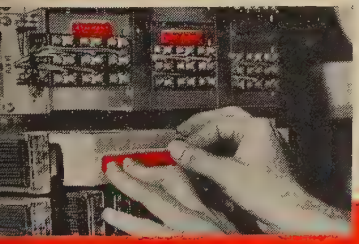
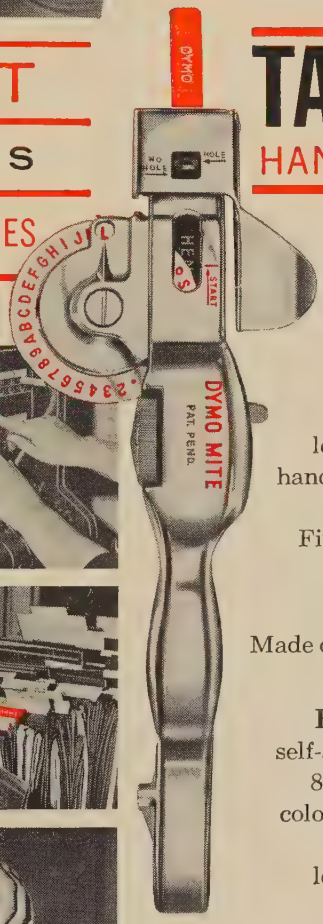






TYPICAL INDUSTRIAL USES

TYPICAL BUSINESS USES



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HAND EMBOSSING TOOL

MODEL M-3 $59.95
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Anyone can make sharp, clear, raised-letter labels that stick anywhere. Just dial each letter (or number) and gently press handle . . . produces crisp, white letters against the colored background. Finished labels *with rounded corners —with or without holes.*

Light, compact, built to last. Made of rugged aluminum alloy, finished in a gleaming chrome-plate finish.

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(Circle number 110 for more information)

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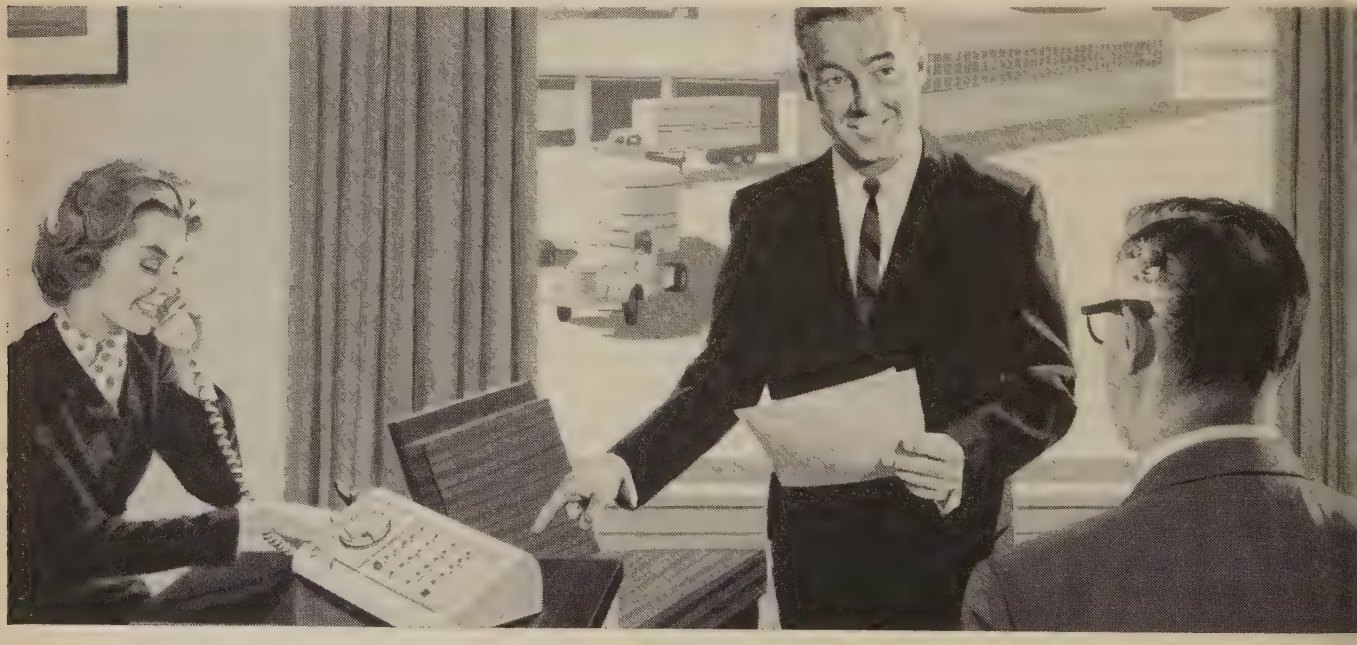

An experienced telephone man like this will tell you all about them <u>any time!</u>

He's a Bell Telephone Communications Consultant, uniquely qualified to help you. He's an analyst, a methods expert, a man trained and experienced in the *application* of communications to business needs.

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ount the real cost of labor

Here's a handy device for calcu-ting the hidden overhead costs at add to the actual cost of labor. The circular slide rule indicates ourly costs of various fringe bene-s as well as the total for these tras.

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bout IDP control panels

"All Panels Are Not the Same" is new 12-page leaflet prepared by acPanel Co. It reviews the vital le of control panels in the efficient nctioning of data processing sys-ms.

For a free copy of this pamphlet, rcle number 230 on the Reader rvice Card.

ffice planning kit

Here's an office layout aid that ill prove very helpful in planning ficient office layout.

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hy use magnetic ink?

A question and answer booklet ves the reasons why banks are ging universal incorporation of magnetic ink characters on checks and deposit tickets.

The 14-page piece includes diagrams on how to design checks to include the common language system that can be read by any check processing equipment.

For this free booklet prepared by Moore Business Forms, Inc., circle number 231 on the Reader Service Card.

N.Y. research lab directory

More than 1,000 research facilities are detailed in the 1960 "Directory of Industrial Research Laboratories in New York State."

Published by the New York State Department of Commerce, it includes commercial and private research and testing laboratories, their special fields, executives, and number of scientists and engineers employed.

For your free copy of this 280-page cross referenced research guide, circle number 219 on the Reader Service Card.

Guide to plant security

Here is a helpful handbook on plant protection. Topics covered in the guide, compiled by Detex Watchclock Corp., include selection of security personnel and equipment, recommended protection routine and report writing.

For a free single copy of this security guide, circle number 228 on the Reader Service Card.

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How to build job enthusiasm . . . Practical pointers on how to spark a worker's continuing interest in his job and in the company. By Ed J. Hegarty, 255 pages, $5.95. Write McGraw-Hill, 327 West 41 St., New York 36.

Effective work management . . . Executive guide to coordination of people, machines, materials, money and procedures for efficient work flow. Authored by Management Consultant Milon Brown, 246 pages, $5. Order from the Macmillan Co., 60 Fifth Ave., New York 11.

Merit employment . . . Review of the problems of racial and religious discrimination and the techniques and results of combating it through merit employment. By Paul Bullock, 101 pages, 75 cents. Available from Institute of Industrial Relations, 100 BAE Building, University of California, Los Angeles 24.

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(Circle number 138 for more information)

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Sheraton-Tel Aviv
opens March, 1961

Christmas bonuses: who gives

How common are Christmas bonuses? What is the trend? What are the pros and cons? This survey report gives the answers.

Most firms w play Santa Claus to their employe this month.

That's the picture reflected by sampling of 252 companies of kinds across the country.

SUMMARY OF FINDINGS

1. Will your company give a Christmas (or year end) bonus to employees this year?

YES	56.3%
NO	43.7%

2. If yes, what is the chief reason why your firm gives Christmas bonuses?

Helps build morale	31.7%
Our form of profit sharing	27.6%
We've just been doing it for years	17.1%
Employees expect it	12.1%
To help with Christmas expenses	7.0%
Other reasons	4.5%

3. Will a bonus be given to all employees or just certain groups?

All employees	66.2%
Salaried employees only	16.2%
Management personnel only	5.6%
Individuals selected on merit, etc.	5.6%
Salaried plus selected others	2.9%
Salaried and hourly employees	1.4%
Hourly employees only	0.7%

4. Will an average employee receive:

Under $25	12.7%
$25 to $100	37.3%
Over $100	47.9%
No answer	2.1%

5. What factors determine the size of each employee's bonus?

Standard amount to all	23.2%
Salary level	20.4%
Salary plus profit level	12.7%
Seniority	11.3%
Profit level	11.3%
Salary plus seniority	10.6%
Salary, seniority, profit level	7.7%

hem and why?

Most of the firms—56%—will give eir employees a bonus this Christ-as. Another 13% will celebrate ıristmas with parties for employ-s or Christmas gifts other than ɔney.

Even though a majority of the ms will give bonuses, the survey ıdings show a slight trend away ɔm the practice of year end bo-ıses. Ten years ago, 167 of the rveyed firms were giving Christ-as or year end bonuses. Since en, 25 of these companies have scontinued the practice, leaving e present total of 142, or 56.3%.

ɔnuses and company size

Christmas bonus giving is, for the ɔst part, a small company prac-e. As company size goes up, ıristmas bonuses become less mmon.

For example, in the new Man-EMENT Methods survey, if you tegorize the respondents by com-ny size in terms of number of ıployees, here's the picture that ıerges:

66% of the firms with under 100 ıployees will give a Christmas ɔnus this year.

60.8% of the firms with between 0 and 1,000 employees will give Christmas bonus this year.

35.3% of the firms with over 1,000 ıployees will give a bonus this ar.

hich employees get bonuses

When a company does give ıristmas bonuses to its employees, is likely to include all employees ther than just certain groups of em.

Of the firms in the Management ETHODS survey that will give a bo-ıs this year, 66% will give it to all ıployees.

A substantial minority—16%—will give a bonus only to salaried personnel. In a few cases, the bonus is designed only for management people, or only for hourly personnel, or other selected people determined by merit or other rating factors.

How big are the bonuses?

Christmas bonuses are more than mere tokens for many of the companies that give them to their employees.

For example, of the firms that said they'll give bonuses this year, nearly half—48%—said that the average employee will receive more than $100. In many cases, the amount will be substantially more than $100.

More than a third—37%—of the bonus giving firms said the average employee will receive between $25 and $100; 13% said the average amount employees receive will be under $25.

What determines bonus size?

Bonus size is determined by a variety of factors, and combinations of factors.

Many of the bonus giving firms—23% to be exact—told Management Methods that all bonus participants will receive a standard amount of money.

But another 20% said the size of the bonus will be determined by salary level. In addition, 11% gave seniority as the key factor; another 11% said the level of company profits determines the size of bonuses.

Salary and seniority levels together were reported as deciding factors by 11% of the bonus givers. Salary and profit level are used by 13%. And 8% said the bonus level is determined by the three factors of salary, seniority and profit level of the company.

As shown in the chart on page 20, there are four key reasons why firms give their employees bonuses: 1) to help build morale, 2) as a form of profit sharing, 3) simply because they have done it for years, or 4) because they feel employees expect a Christmas or year end bonus.

Another reason given by the respondents for bonuses is that the bonus helps employees with Christmas expenses.

What about "no bonus" firms?

The 44% of the survey respondents that will not give a Christmas bonus this year were asked to indicate the chief reason why they won't do it.

About 29% of these firms said it's because they compensate and reward employees in other ways. Another 17% said they don't do it because a Christmas bonus is too expensive.

Other answers were:

"We've just never made Christmas bonuses a practice." (14%)

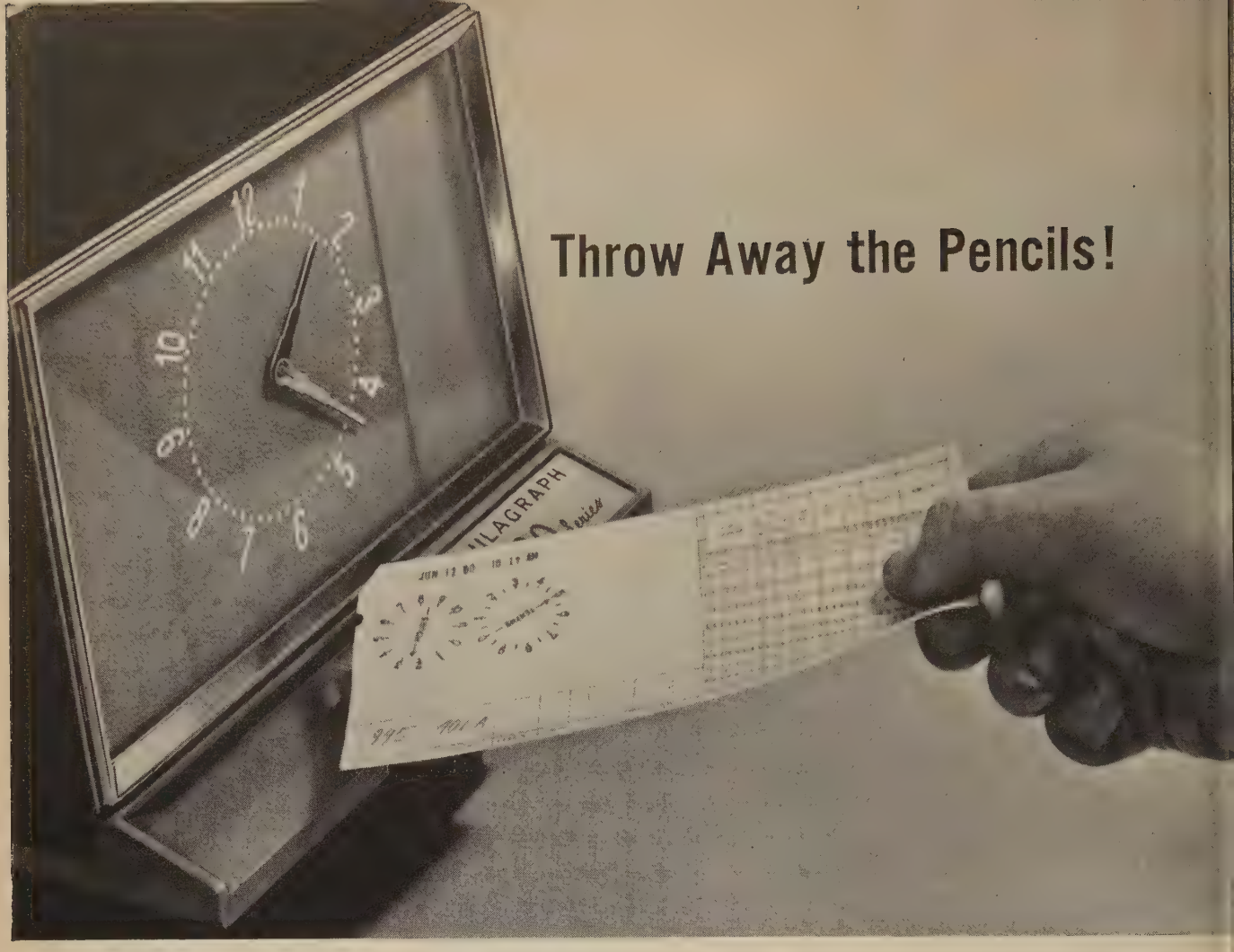
"It causes resentment, jealousy or other hard feelings." (14%)

"We consider the practice of giving out Christmas or year end bonuses unduly paternalistic." (7%)

Summary

In summary, here's what the new Management Methods survey shows:

- Christmas bonus giving is still a strong company practice.
- Bonus giving takes place mostly among the smaller companies.
- There is a slight, but noticeable trend away from giving bonuses at Christmastime. ■



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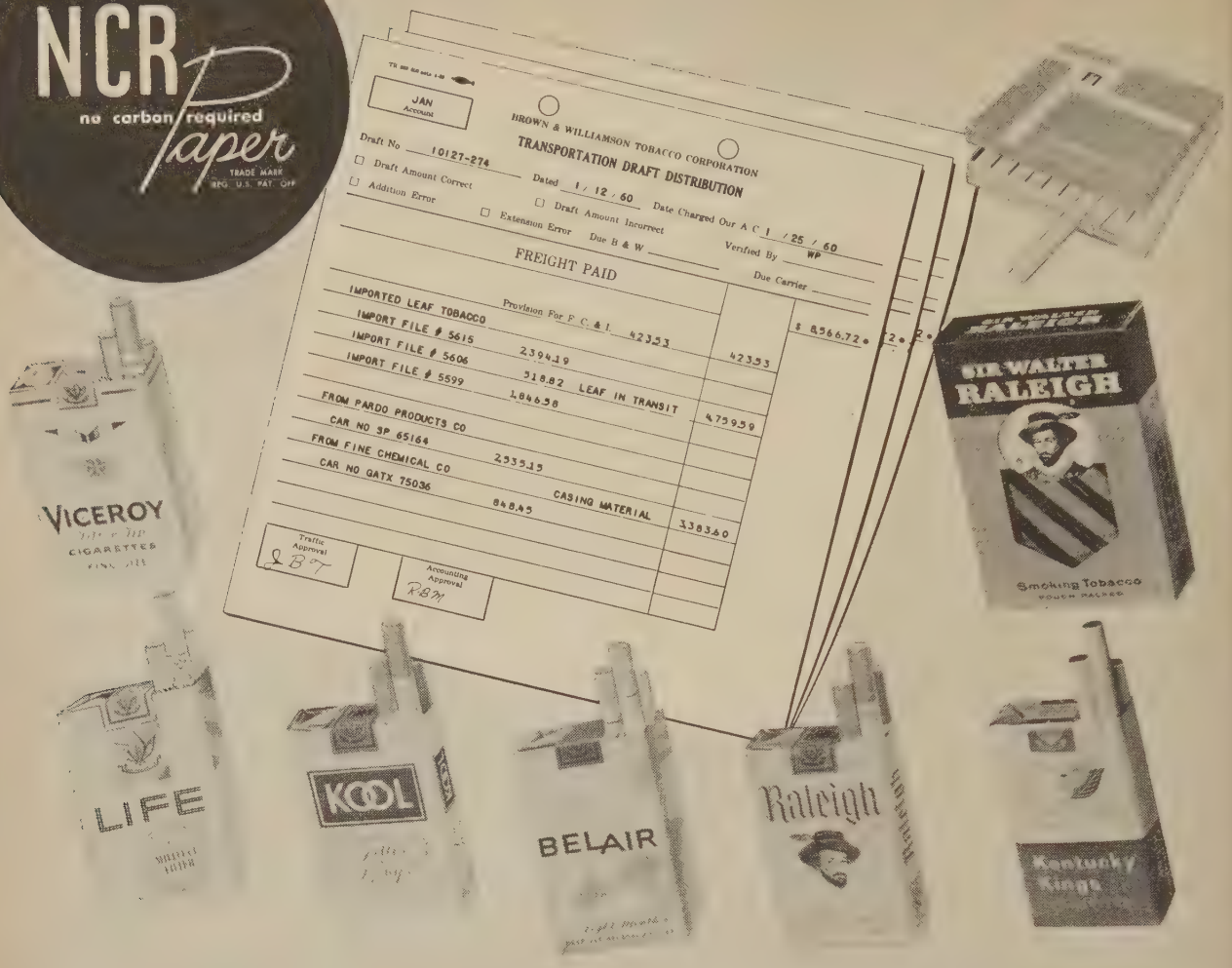

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(Circle number 127 for more information)

TAX QUIZ—by Benjamin Newman, Tax Attorney

Settling a lease

ETTLEMENT PAYMENT: INCOME OR CAPITAL GAIN?

he question—A man receives a sum of money for dvance settlement of an unexpired lease. The money s equivalent to the rent he would have been paid had he lease run its normal length. Is this money taxable s ordinary income or as capital gains?

he facts—A man owned four city blocks in the lowntown area of a large city. In 1907, another man eased the entire area for a term of 47 years. Eight ears later, this lessee sublet nearly one whole block o a third man who built a hotel on the property. The ublease was to run for the remaining 39 years of the riginal lease.

In 1952, the owner of the property announced that e was interested in arranging a new, long-term lease f the property where the hotel had been built. He lanned that this new lease would begin on the ex-iration of the first lease which had just two years to un.

A number of large hotel operators proposed their lans for leasing the property. All these proposals vere predicated upon the lease beginning in 1954 at he time the first lease expired. However, the present ublessee's proposal was the most acceptable to the wner. The sublessee proposed a lease beginning in 952 because he believed he could arrange for a settle-nent of the lease in force.

The sublessee then made a deal with his landlord, he lessee. He paid the lessee $137,000 in exchange or which the lessee agreed to dissolve the lease two ears before it was to expire. The $137,000 figure was ubstantially the sum which the sublessee would have aid as rent for the remainder of the sublease term.

In his 1952 tax return, the lessee reported the $137,-00 he received and classified it as a long term capital ain. The Commissioner of Internal Revenue objected. He contended that the payment was equivalent to rent nd consequently should be considered ordinary in-ome.

When a ruling of the Tax Court upheld the Internal evenue Department's contention, the lessee appealed o the U. S. Court of Appeals.

he ruling—The Court of Appeals reversed the de-ision of the Tax Court. If the sublessee had made the

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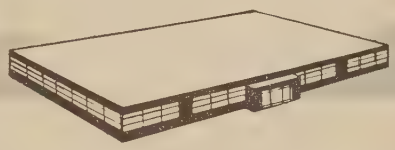
Rhode Island's 100% FINANCING PLAN

For Plant Expansion Without Capital Investment



Rhode Island's unique 100% Lease-Purchase Financing Plan has been in operation since January 1959. During this relatively short period of time nearly 11 million dollars in new plant construction has been approved and guaranteed by the State of Rhode Island.

These plants represent over 1,270,000 square feet of new manufacturing space, now either completed and in operation or currently under construction. This is positive proof that industry management considers Rhode Island's 100% Financing Plan to be practical, workable and financially sound.

We invite your consideration of Rhode Island as a location for your new plant or branch operation. Excellent sites and building shells are available — and of course, Rhode Island's 100% Financing Plan is available to you for immediate expansion.

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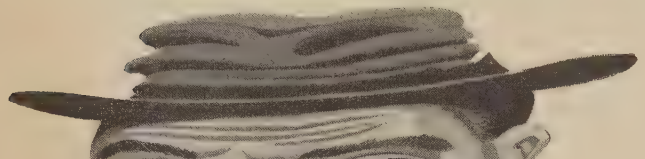
**Names proudly given on request!*

Rhode Island Development Council

108 Roger Williams Building,
Hayes Street, Providence, Rhode Island

(Circle number 139 for more information)

IS YOUR SALES MANAGER BEING SQUEEZED BY YOUR AUTO TRANSPORTATION PLAN?



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(Circle number 132 for more information)

payment solely to fulfill his rent payments to the le see, then the payment would have been ordinary in come. But since the payment was made in return fo a settlement of the lease, and since there was a valid business reason for the transaction, its consummatio constituted the sale of a capital asset.

The fact that the payment for the settlement wa made by the sublessee, and not the owner of the prop erty, had no effect on the nature of the transaction, th Tax Court ruled.

Metropolitan Building Co. v. Commissioner of In ternal Revenue, U. S. Court of Appeals, 9th Circui No. 16, 609, Sept. 2, 1960.

Tax withholdings

IS THE MINIMUM DEDUCTION ALWAYS MANDATORY?

The question—An employee's income tax is certain t be less than the amount of tax withholding that hi employer is required to take from his wages. In thi case, may the employer withhold an amount less than the minimum stipulated by the Internal Revenue Code?

The facts—A man has made an irrevocable assign ment of part of his wages to his former wife, in pay ment of alimony due her by court order. Such alimony payments are deductible from income taxes.

Since the man is now entitled to only one tax exemption (himself), but has a large part of his income exempt from his taxes, the amount withheld from his pay constitutes an overpayment of taxes. He cannot regain this overpayment until the end of the tax year when his tax return, in which he claims a refund, has been filed and processed.

The man's employer feels that a smaller amount of tax should be withheld. The employee (who needs the extra money) would then receive a paycheck approximately equal to his correct net wages.

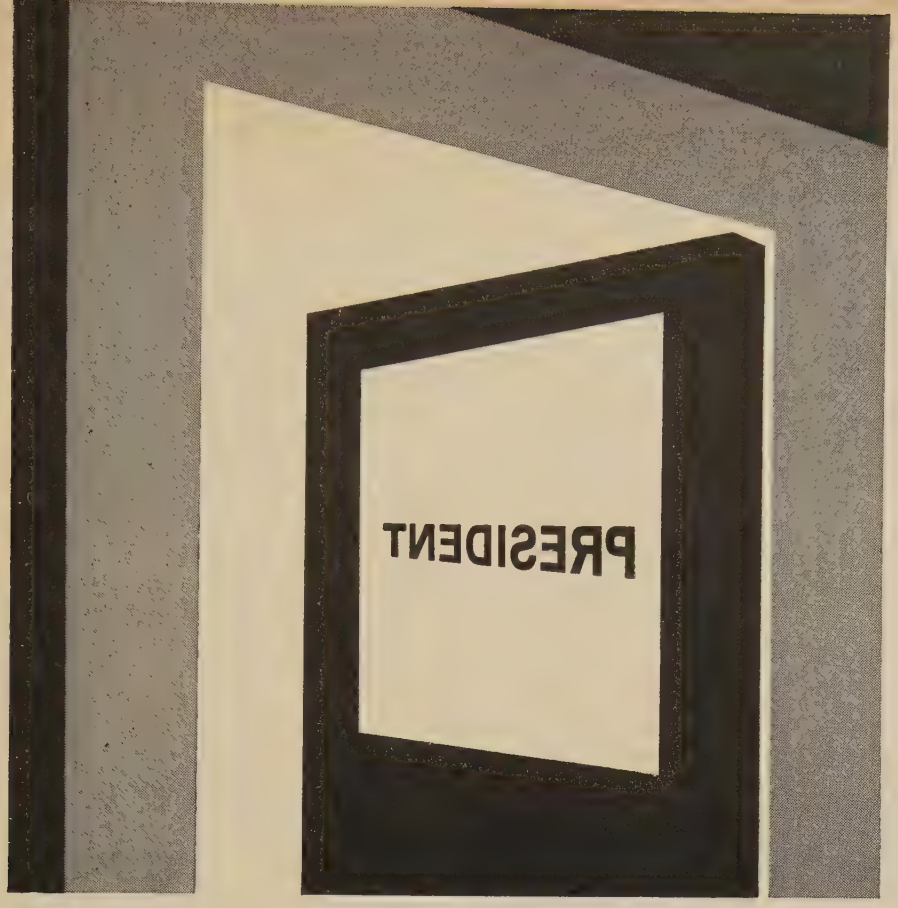
Accordingly, the employer asks the Internal Revenue Service for permission to withhold from the employee's salary a smaller tax percentage than the minimum withholding tax stipulated by the Internal Revenue Code.

The ruling—The fact that an employee's tax liability may be less than the tax withheld from his wages cannot entitle him to have a smaller amount withheld. So ruled the Internal Revenue Service.

The tax withheld depends upon the number of exemptions claimed, and an employee may not claim more exemptions than the number to which he is entitled.

Although the alimony payments taken from this employee's wages are deductible by him and thus operate to cut his tax liability, the payments do not entitle him to any additional exemptions, and therefore the tax the company withholds from his salary cannot be decreased.

Revenue Ruling 60-220. Rendered June 1960.



Today's low-cost way to automate your management controls is with Keysort Data Processing

or the fast, accurate reports you need to establish firm anagement controls; for up-to-the-minute information any number of vital areas such as order and sales nalysis, inventory, job and labor costing – Keysort is e data processing system to use.

The reasons are many. No restrictive procedures; inimum training; remarkable economy; simplicity of stallation and operation.

Keysort, in fact, is the only automated data processing stem flexible enough to fit your business as it stands *d* as it grows. It is the one system adaptable and fordable to companies of every size.

With Keysort you use easy-to-handle punched cards mechanically created for rapid sorting and classifica-on. Figures are automatically tabulated and results summarized direct to reports without transcribing.

Result: Keysort automates your data processing to give you the meaningful on-time information you need for complete control of your business and profits. Monthly, weekly, daily. And at truly low cost.

Your nearby Royal McBee Data Processing Systems Representative has had a wealth of experience in solving management control problems. Working with you, with your systems and procedures experts, he can offer helpful advice about a low-cost Keysort system tailored to your individual requirements.

Call him, or write us at Port Chester, N. Y.—indicating the applications in which you are interested—and we will be happy to supply you with actual case histories from our files.

ROYAL McBEE . *data processing division*

NEW CONCEPTS IN PRACTICAL OFFICE AUTOMATION

(Circle number 140 for more information)

Cost Cutting Ideas for Your Office...

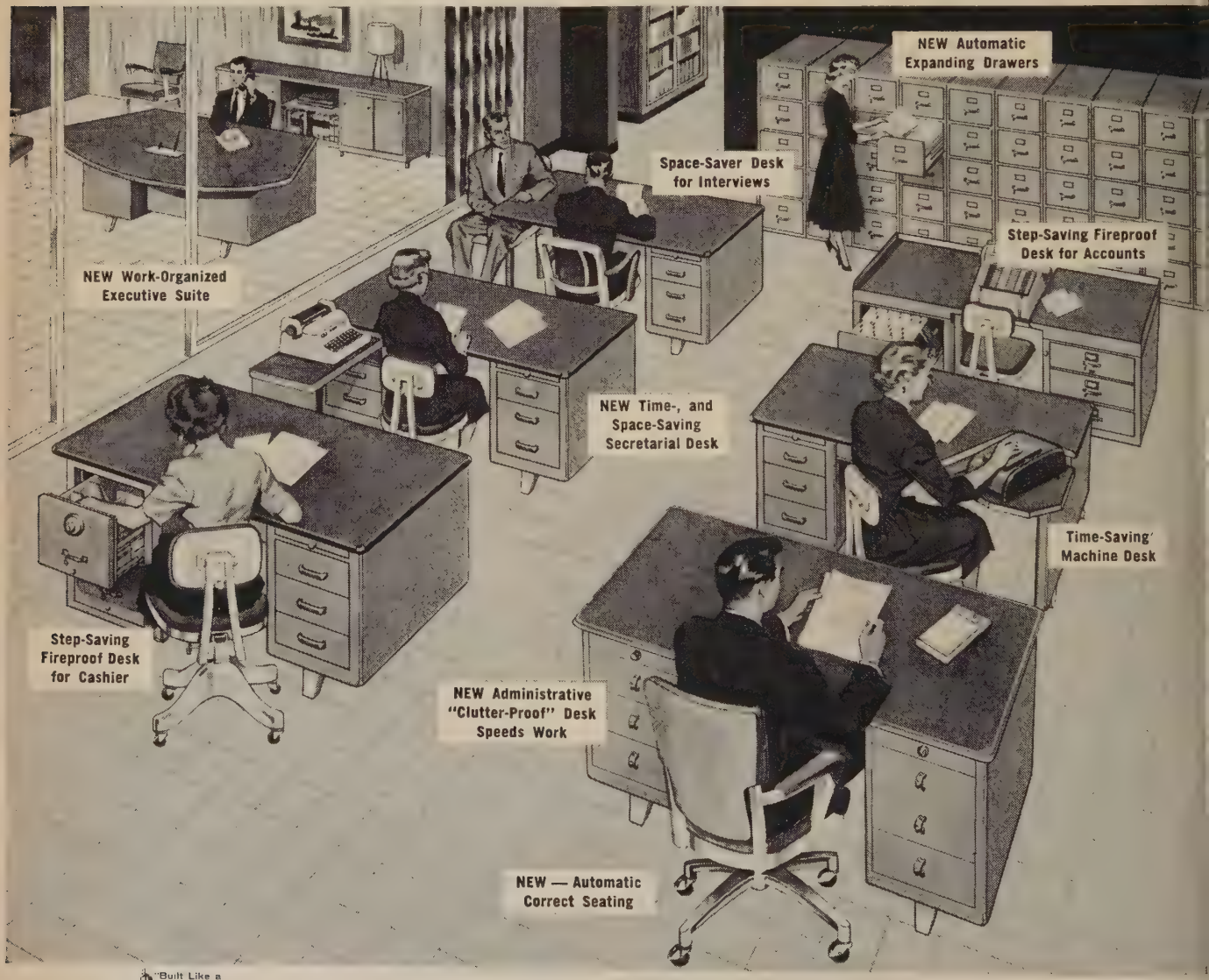
COST REDUCTION, a vital problem in all divisions of a business is nowhere as challenging as in the administrative departments. Office costs, having trebled during the past decade, are today *of primary concern* to top management.

It is in the record that since 1899 Shaw-Walker has been equipping business with "time-engineered" office facilities as inventive and ingenious as American production techniques, — that Shaw-Walker equipment and systems *have cut office costs*, saved floor space and made offices more livable.

For today's *cost-conscious* management Shaw-Walker "time-engineering" research has now produced — The work-organized "clutter-proof" desk; Automatic expanding file drawers; Step-Saving Fire-Files and fireproof desks that protect records at point-of-use; Labor-Saving equipment and systems for tape handling; Error-Proof filing systems; Automatic correct seating chairs; Time-Saving payroll plans; and Numerous Other Devices that facilitate recording, filing and finding of records.

Some of these *"cost-cutters"* are pictured here. All are in the 252-page Shaw-Walker Office Guide.

Throughout, descriptions plainly state economies you can expect from Shaw-Walker "time-engineered" equipment and systems. *Free to Management when requested on business letterhead. Write Shaw-Walker, Muskegon 56, Michigan.*



"Built Like a Skyscraper"

SHAW-WALKER

Largest Exclusive Makers of Office Equipment
Muskegon 56, Mich. Representatives Everywhere

NOW

LOW COST, AUTOMATIC REPRODUCTION OF ENGINEERING DRAWINGS... FROM MICROFILM

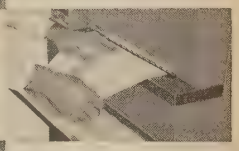
XEROX COPYFLO 1824 PRINTER

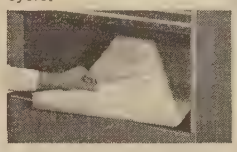
MAKES THE SAVINGS OF A UNITIZED MICROFILM SYSTEM POSSIBLE IN SMALL OR DECENTRALIZED ENGINEERING DEPARTMENTS

SIMPLE AS A·B·C

A. Operator inserts microfilm aperture card.

B. Next, operator inserts a sheet of ordinary paper or vellum, or an offset paper master. Insertion starts automatic printing and processing cycle.





C. The first print is automatically delivered in 30 seconds, subsequent prints (of the same or different drawings) every 15 seconds.

, you can get a ready-to-use engineering print . . . in nds and *on ordinary cut-sheet paper* . . . from a micro- aperture card.

ne XeroX® Copyflo® 1824 printer makes 18″ x 24″ ts, or smaller, at an extremely low cost. Also reproduces ellum or offset paper masters.

peration is automatic. Prints emerge dry, ready for im- ate use, as fast as four a minute.

nd the quality of reproduction is excellent. The image harp black-on-white and won't rub off. There is no , no waste, and the paper may be written on with pencil en.

aus, regardless of your engineering-drawing-reproduc- volume, you can now enjoy the tremendous savings in money, space, and materials of a unitized microfilm em.

rmerly, such economies . . . from $20,000 to $100,000 annually . . . required a substantial reproduction need to make the system feasible.

Today, however, the Copyflo 1824 printer brings the same proportionate benefits to small-volume users as to large. No need now for vast files of engineering drawings. Microfilm aperture cards take only a fraction of the storage space required for other reproducibles. No more costly waiting for prints. And prints made by a Copyflo 1824 printer are so inexpensive, your engineers can discard them after use.

Write today for 1824 booklet giving full benefits you can expect from a Copyflo 1824 printer. Haloid Xerox Inc., 60-136X Haloid St., Rochester 3, N.Y. Branch offices in principal U.S. and Canadian cities. Overseas: Rank-Xerox Limited, London.

HALOID XEROX®

(Circle number 115 for more information)

Shown here: our #1202 armless, fixed-back chair. Contoured comfort for greater work output.

WORK magic with office space . . .

Only Royal gives you such flexibility, such completeness, such comfort!

Now! The makers of famous Royal chairs offer you greater possibilities than ever before in the modular concept of office furnishings: Easily arranged, easily re-arranged modular furniture components that model to your space, model to your work—imparting new and greater efficiency to any area; easily installed, easily re-installed, light, bright, Arnot Partition-ettes*—providing privacy as well as decor; plus Royal chairs, the chairs that help you think—in comfort! Picture your new or re-modeled Royal office—write for the brochure that shows you the galaxy of styles, sizes, and colors. Why procrastinate? Write today. ROYAL METAL MANUFACTURING CO., Dept. 5-L, One Park Ave., N. Y. 16, N. Y. In Canada—Galt, Ontario.

Royal®
OFFICE FURNITURE

SHOWROOMS: New York, Chicago, Los Angeles, San Francisco, Seattle, Galt, Ontario • LICENSEES: France, England, Australia, Venezuela
FACTORIES: Plainfield, Conn., Michigan City, Ind., Los Angeles, Calif., Warren, Pa., Jamestown, N. Y., Galt and Smiths Falls, Ontario

*T. M. REG. U. S. PAT. OFF.

(Circle number 142 for more information)

Above: Independence Hall Office of The First Pennsylvania Banking and Trust Company—bordering on the new Independence Mall.

Left: Console of Burroughs 220 Computer.

Burroughs Electronic Computer Systems provide total automation

he scene: The First Pennsylvania Banking and Trust Company—the nation's oldest and Philadelphia's rgest bank; also, one of the first in the nation to be fully automated. **The objective:** Processing all ocuments and data for this billion dollar bank. **The equipment:** Data processing—Burroughs 220 omputer systems. Item processing—B 301 sorter-converters, P 703 amount and account number printers, 5293 manual converters. **The results,** in the words of Alfred C. Graff, Senior Vice President, Bank perations: "Their vast experience in data processing convinced us that Burroughs Corporation was best ualified to handle this gigantic, bank-wide job. In addition to invaluable assistance and experience, they ere able to provide us with all the equipment—such as our exceptionally reliable computer systems and he world's fastest sorter. As a result, we are already taking full advantage of the advanced magnetic echniques currently revolutionizing document and data processing in banks."

or businesses of every size: Burroughs data processing he ranges from accounting machines to complete com- uter systems. It's backed by outstanding services and stems knowledge, known for outstanding results. **For etails,** action—and results—call our nearby branch. Or rite Burroughs Corporation, Detroit 32, Michigan.

Burroughs Corporation

"NEW DIMENSIONS / in electronics and data processing systems"

(Circle number 104 for more information)

CUTTING COSTS IS OUR BUSINESS

How to "master" mind every order

From original entry, through production scheduling, manufacturing, inspection, shipping and billing . . . orders must be controlled by paperwork.

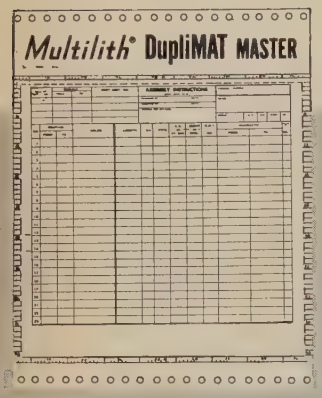
With just one writing of source data on a Multilith Master, all necessary forms can be automatically produced using blank paper . . . accurately, speedily, with perfect legibility. Additions, deletions or substitutions can be easily made at any stage, to guide succeeding steps.

Let us demonstrate how Multigraph Methods can provide truly "master-minded" paperwork controls for your business. Contact your nearby Multigraph office or write Addressograph-Multigraph Corporation, Cleveland 17, Ohio.

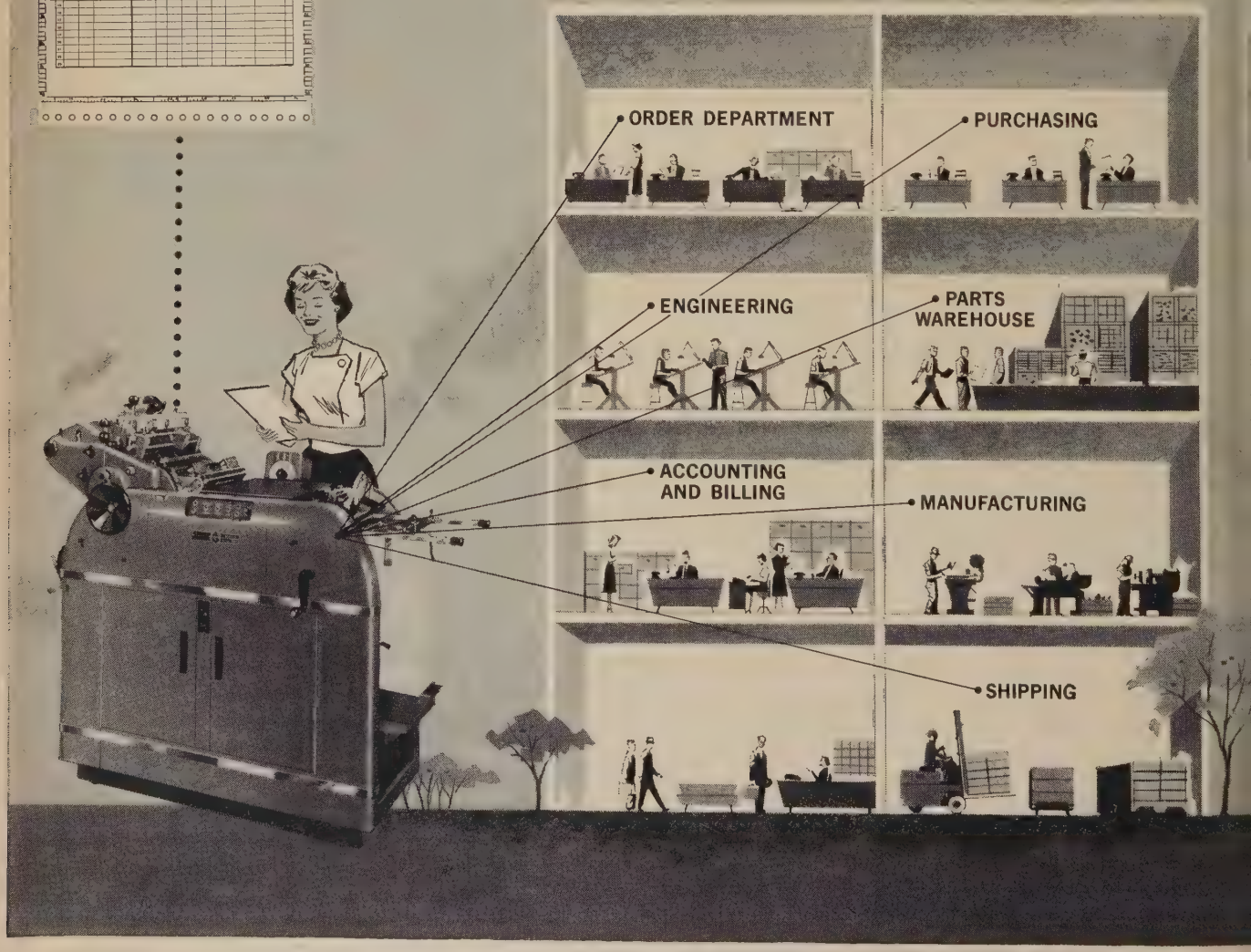
Addressograph-Multigraph®

SERVING SMALL BUSINESS • BIG BUSINESS • EVERY BUSINESS

© 1960 A-M Corporation *Trade-Mark



Multilith Offset Duplicating and Multilith Masters provide you with a "one-write" system that communicates complete, error-free data to every individual and department concerned with the processing of an order.

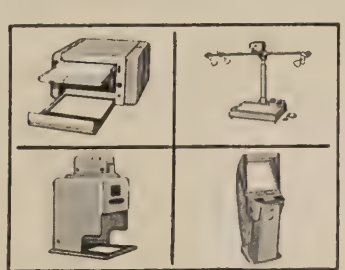


(Circle number 100 for more information)

usiness record problems too BIG to handle?

Remington Rand Microfilm cameras and equipment give fast, efficient solution to record storage, protection and copying!

ve to yourself how Remington Rand rofilming can solve space, storage and ying problems as well as help you devise office techniques and systems. Even more ortant, Remington Rand microfilm ex- s are always available to you to *diagnose* rd problems—help you train personnel in lern microfilm techniques.



Learn all the advantages of Remington Rand Cameras—the best of the portables and stationaries—and all the supplementary equipment and services that go with them . . . see what they can do for your particular business operation. Get all the information on the complete microfilm line—Remington Rand! Use attached card now. No obligation, of course.

Remington Rand Systems DIVISION OF SPERRY RAND CORPORATION
122 East 42 Street, New York 17, N. Y.

COLOR • TEXTURE • PERFORMANCE

U.S. NAUGAHYDE®

finest in vinyl upholstery

U.S. NAUGAWEAVE®

newest in "breathable" vinyl upholstery

Furniture shown from the **Columbia-Hallowell Division, SPS,** Jenkintown, Pennsylvania, and Santa Ana, California.

Now you can surround yourself and your employees with pleasant, invigoratin colors that make every working day brighter. U.S. Naugahyde, the finest of a vinyl upholstery, makes color in your offices practical. It demands less mainte nance than any other upholstery fabric. Just an occasional wipe with a damp clot keeps it clean and sparkling—never needs dry cleaning. Naugahyde is amazingl tough, with the stamina to stand up under constant hard use. Both Naugahyd and the new "breathable" U.S. Naugaweave are available in a wide choice of pa terns and textures—with a color range that's virtually endless. Your offices ca be as impressive or as informal as you want when your furniture wears genuin U.S. Naugahyde.

US RUBBER

United States Rubber

Coated Fabrics and Koylon Seating Dept., Mishawaka, Ind. In Canada: Dominion Rubber Company, Ltd.

(Circle number 148 for more information)

Workshop for Management

PRACTICAL IDEAS YOU CAN USE RIGHT NOW!

PROFIT MAKERS

Y THE PAUSE IAT REFRESHES

SOME EXECUTIVES BRAG about how rd and steadily they work. They t can't afford to take any time . Quite often these busy braggers e a little frazzled around the ges. Their preoccupation with *syness* actually harms their busi-ss.

But it's actual accomplishments it count—not how much time, or and nervous energy that's ex-nded. If you can daydream a bit even take a catnap and still get job done, why not relax. In-lge yourself briefly to look out window or lie down. Don't be amed of occasional idleness.

Relaxation can contribute to your rk. It can clear the cobwebs, re-ve tension, neutralize annoy-ces, simplify knotty problems.

Taking time off from your job—a walk, painting, fishing—or even kind of park bench sitting in-lged in by venerable Bernard ruch—renews poise and strength. me off builds mental and physical erves.

It's not always the greatest exer-n that makes the most headway. tness some of the typists in your n office. Some of the busiest ap-aring, the nervous, quick movers ually turn out less work than ne of the serene, more slowly ared workers.

Periodic relaxation helps you e any situation in stride, handle

it the easier way and with more satisfaction.

So before the doctor—or the board of directors—tells you to take it easy, do just that. A pause now and then will refresh you for the mental hurdles ahead.

PROFIT BY PICKING A PORT PLANT SITE

■ EVEN IF YOUR business doesn't require the facilities of a port, you might benefit by locating your business on a port plant site.

Port cities, in general, are more industry conscious than ever before. As a result, area sponsored expansion and improvement programs have been intensified in such location.

Further, a good many ports in recent years, such as the Upstate New York area, have courted "captive cargo," *i.e.*, encouraged producing industries to locate in the immediate port vicinity. This effort encompasses close cooperation with all local industry, including utilities, banks, rails and other transportation facilities.

Besides this awareness and concentration on area development, ports offer other tools and services. What are some of these key factors available in port sites?

An obvious but major benefit, pointed out by the Niagara Mohawk Power Area Development Department, is the immediate availability of low cost water transportation for shipment of bulk materials. Further, because of its key importance in the chain of transport, a port attracts centers of all types of transportation facilities.

Port located manufacturers, who service foreign markets or incorporate imported products in their own products, bypass the cost of first shipping to the coast, then transhipping for export.

Many ports, also, are located near the source of various raw materials, or offer inexpensive transportation to make them economically available. Indeed, if much bulk cargo handling is required, a port site becomes virtually imperative.

When considering possible plant sites, Niagara Mohawk suggests investigating a growing rather than an established port.

It marshalls these reasons in favor of a newly opened port, such as the five serviced by the St. Lawrence Seaway: lower land cost, wide choice of sites, expansion room, and special services a small port is often eager to extend.

Ports, of course, do not offer a

universal answer to all plant location problems. But their advantages and features are worthy of review before making any move.

SAFETY INSURERS

USE BEFORE AND AFTER SHOTS TO POINT UP SAFETY

■ YOU CAN PUT OVER a lot more with a couple of pictures than you can with a dozen memos, when it comes to promoting good housekeeping. This is the considered opinion of Safety Supervisor J. L. Rheinheimer, Kaiser Aluminum & Chemical Corp.

For instance, Mr. Rheinheimer took before and after pictures of housekeeping conditions in one department at its Newark, Ohio plant. These were posted prominently. At

a glance, foremen and supervisors could tell how their own housekeeping measured up with the department photographed.

Many safety directors and fire protection chiefs follow this say-it-with-pictures practice. They use pictures liberally—from Polaroid shots of their own to rented full color movies.

Pictures, they agree, put over the point without preaching.

EFFICIENCY HINTS

WATCH OUT FOR YOUR CREDIT CARDS

■ "INSTANT CREDIT" can become instant liability if you're careless with your credit cards.

If one is misplaced or lost, the finder may run up a big bill at your expense.

To forestall this eventuality, have

your secretary list each card by number. If you lose one, report it promptly.

Extend the credit card record to cover all individuals who use them in your company. Warn salesmen if they don't report a card loss immediately, they will be penalized for all or part of any bills charged by unauthorized persons.

GOODWILL CREATORS

WOO THE EVER-GROWING RETIRED GROUP

■ TOO MANY FIRMS fete and forget retirees. Besides the moral obligation to retain interest in these old timers, the over-65 group represents an ever growing market. Today there are 15 million over 65 years of age. This figure will soon swell to 20 million.

Besides their own purchasing power—which may be modest—as elders, they influence the buying decisions of families, friends, and citizens at large. They can be a powerful group in projecting your company image—for good or ill.

Despite this, the Mermey Organization points out, post retirement programs too often are non-existent.

This New York public relations firm suggests a 13-point start in developing a post retirement program. Depending on the size and type of your business, you may be able to adopt some of these.

1. Add all retirees to your mailing lists for annual reports, house organs and other publications.

2. Appoint a counsellor to intelligently plan visits to retirees.

3. Encourage the retired to avail themselves of your firm's advisory services at any time.

4. Remember events dear to them—birthdays, job anniversaries or retirement date. Don't forget t send sympathy letters and get-w cards, when appropriate.

5. Institute an annual C Friend's Day when retirees are h ored, entertained and brought u to-date on the company.

6. Start a periodical for retire —or a special edition of your regu house organ.

7. Set up a hobby workshop. I structors can be recruited among tirees, employees or the communi

8. Evidence interest in their w being. Offer annual physical chec ups, medical loans.

9. Extend financial aid when t need is dire.

10. Extend invitations to retire whenever possible, to compa events.

11. Make plant facilities—bow ing alleys, cafeterias, librarie available to retirees at specifi times. Keep charges, if any, at ro bottom.

12. Set aside a club-like loun for former employees to stimula friendships and social activities.

13. Maintain an informal clea ing house for part time and season jobs. Set up files on skills, exper ence and availability of retirees f occasional employment.

PROBLEM STOPPERS

TAKE TIME TO COOL OFF

■ ARE YOU HOTHEADED—frequentl sometimes or occasionally?

Whether your temper is hai trigger or the long-time-brewin variety, you know good resolutio do little to curb outbursts. But the are some positive steps you can tak to minimize explosions.

Put some distance—in time an space—between you and the obje of your wrath. Once you're out striking range, you'll be surprise how quickly you cool off.

Quit being secretly proud of yo temper. Don't bow out of respons bility by blaming an inherited lo boiling point. Blowing your t loses you control of a situation. can bring you grief.

View your temper as others see

unpredictable personality is not
gn of dominance, masculinity,
ngth or individuality. Temper
torts your physiognomy as well
our personality. Often a Roman
dle temper is a smoke screen for
ecurity, inferiority or other nega-
traits.
Exert your tempestuous tenden-
on enthusiasms rather than ex-
sions. Convert a too peppery
d into an enthusiastic, initiative-
ng personality.
Breaking a bad temper habit is a
ak for yourself, your business,
r friends and your family. Keep-
cool keeps you in control.

LLOW THESE RULES WRITE EFFECTIVELY

HERE ARE 25 RULES that will help
write clearly and effectively. In
succinct style of Author Rudolf
sch, they sum up the contents of
book *How to Write, Speak and*
nk More Effectively, published
Harper & Brothers, New York.
. Write about people, things,
facts.
. Write as you talk.
. Use contractions.
. Use the first person.
. Quote what was said.
. Quote what was written.
. Put yourself in the reader's
e.
. Don't hurt the reader's feelings.
Forestall misunderstandings.
0. Don't be too brief.
1. Plan a beginning, middle, and
.
2. Go from the rule to the excep-
, from the familiar to the new.
3. Use short names and abbre-
ions.
4. Use pronouns rather than re-
ting nouns.

15. Use verbs rather than nouns.
16. Use the active voice and a personal subject.
17. Use small, round figures.
18. Specify. Use illustrations, cases, examples.
19. Start a new sentence for each new idea.
20. Keep your sentences short.
21. Keep your paragraphs short.
22. Use direct questions.
23. Underline for emphasis.
24. Use parentheses for casual mention.
25. Make your writing interesting to look at.

COST CUTTERS

SELL ONLY WHERE HIGH PROFITS ARE

■ NARROWING PROFIT MARGINS have broadened company efforts to trim fat from sales costs.

Many are cultivating big customers and curtailing calls on marginal accounts. For instance, Cutter Laboratories salesmen for one product line now concentrate on just 300 customers instead of scattering thin, expensive coverage over 5,000 accounts.

An office machine manufacturer numbered its customers according to business volume. Categories, ranging from one to 26, signal the frequency of calls to be made. Salesmen schedule visits once a week to the largest customers in group one—on down to only two calls a year in category 26.

Other companies are pushing high profit items. As an example, McKesson & Robbins offers salesmen bonuses for orders on certain products.

Some, like Photostat Corp., have tailored their incentive plans to keep costs down and profits up. Many have trimmed product lines to boost profitable sales. Packard Bell Electronics Corp., as one example, has just dropped five of 24 TV models introduced last summer. Alcoa, to cite another case, dropped widths and gauges of aluminum sheets that were slow sellers.

Some firms emphasize better time utilization. Photostat Corp., for instance, has remapped territories to reduce travelling time. West Virginia Pulp & Paper Co. has upped time spent with customers by 25%. This was accomplished by having salesmen analyze time spent each day on various activities. This self-analysis has resulted in better itineraries, and in relegating paperwork to periods when sales calls can't be scheduled.

Generally, companies everywhere are scrutinizing entertainment and travel expenses. National Gypsum Co. has gone as far as to set up cost budgets for its salaried employees. If a salesman spends more than the total budgeted amount, the difference is deducted from his bonus.

THOUGHT STARTERS

PLAN NOW FOR COMING EXECUTIVE SHORTAGE

■ BY 1970, demand for executives will far exceed the supply. This prediction is supported by a study of 14,000 executive posts just completed by Booz, Allen & Hamilton.

Top management manpower is already in critical demand since the group has increased 44% in the last decade.

Based on projected retirements at age 65, 60% of today's presidents will have to be replaced by 1970. Further, with the median age of 57 for all upper management, replacement of these top men must come from lower echelons.

The study showed that most presidents do not have enough younger "back up" executives. In companies with a president 54 or younger, only 21% of the key executives are younger than the president. Even in companies with presidents aged 55 to 60, only 55% have younger key men.

Tomorrow's more complex and technologically advanced company will critically increase demands for quantity and quality of executives.

To forestall being caught in the executive supply squeeze, the management consultant firm urges companies to intensify current programs for development and training of potential executives.

I was a Bear . . .

. . . before I got my *Cramer*

Of course I'm still a bear . . . but I'm a comfortable bear . . . Take it from me, Cramer chairs help fight fatigue; they promote speed, accuracy, and best of all they pay for themselves over and over in low maintenance and increased worker output!

I know. I've got a den full!

*** Before Cramer**

Be sure YOU are Backed by the Best

Write for Complete Details

Cramer **POSTURE CHAIR COMPANY, INC.**

625 Adams • Kansas City, Kansas

(Circle number 108 for more information)

Motivating Minutes that Increase Employee Efficiency

The ancient Egyptians measured time with sundials to set the exact moments when music from lutes and horns heightened the attention of worshippers at temple rites.

It's a far cry from Osiris' temples to the ten modern offices of Glendale Federal Savings and Loan Association in Glendale, California. Here Muzak's precision-timed, minute-by-minute work-motivation music has increased employee efficiency and added greatly to customer satisfaction.

"We are highly pleased with Muzak's results," said Mr. J. E. Hoeft, President of the $330,000,000 Association, sixth largest of its kind in America. "Our employees tell us that Muzak seems to make their work go faster and better by creating a happy atmosphere that helps to do away with tension and fatigue. Their increased efficiency has proved that they are right. Our customers say that Muzak helps make Glendale Federal a friendly, cheerful place to do business—and that's exactly what we've stressed since our doors first opened for business in 1934."

The special Muzak programming formula that produces such results is based on 25 years of intensive psychological and musical research. This formula is copyrighted. Only Muzak has it, and Muzak can produce scientifically measured results.

There are Muzak specialists in 225 localities in the U.S., and other places throughout the world, who survey, estimate, install and service Muzak equipment.

You will also be interested in the unique book, "Music and Muzak," which has detailed information on Muzak's work-motivating music as an investment in profits which should be working for you. Write Muzak Corporation, 229 Park Avenue South, New York 3, N.Y.

Muzak is considered an investment in Glendale Federal's new multimillion dollar headquarters, and in each of its nine modern branch offices.

President J. E. Hoeft says, "Muzak is one of our best investments. Muzak *motivates.*"

Muzak offsets office tension, helps work go faster and better.

Muzak®

an International Company in the Jack Wrather Organization

United States • Canada • Mexico • Brazil • Argentina
Peru • Great Britain • Belgium • The Philippines

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(Circle number 125 for more information)

when she sits at the new Remington **KARD-VEYER®** filing unit!

The new Remington Rand Kard-Veyer Unit makes filing automatic... makes any girl in your filing department worth three times as much! A Kard-Veyer Unit delivers up to a half-million records to the operator at the touch of a button ...enables her to file more than 1000 records per hour! The saving is substantial not only in time (money) but also in valuable floor space because a Kard-Veyer Unit concentrates the bulk of your files at a single convenient work station.

And ease of Kard-Veyer operation raises employee morale, reduces fatigue and virtually eliminates costly errors. This greater production and efficiency have made a remarkable improvement in customer service wherever Kard-Veyer Units are installed—leading banks, large loan companies and utilities . . . many other businesses large and small. Let a trained Remington Rand Systems Specialist show you how to do a faster, more effective filing job with fewer people—write Room 2110, 122 East 42nd Street, New York 17, N. Y.

Kard-Veyer is also available on a long or short term lease plan.

Remington Rand Systems
DIVISION OF SPERRY RAND CORPORATION

(Circle number 124 [illegible]

EXCLUSIVE INTERVIEW WITH WILLIAM D. VAUGHN, PRESIDENT, OVERSEAS MANAGEMENT SERVICES, INC.

How to build a fast growing business abroad

WITH A FOREIGN BASE CORPORATION

Alert American firms are rushing to expand abroad. They are expanding there with 100-cent, tax free dollars. The method they use is not a tax dodge but it does permit growth at an accelerated rate. It could open a door for your company to gain a competitive footing in new markets with low costs and high return on investment.

PHOTOS BY LAURENCE LUSTIG

With a foreign base corporation, you can build a business abroad that will snowball in size.

The reason it will snowball is that you can feed it with its own 100-cent profit dollars, rather than dollars halved by the 52% U. S. corporate income tax.

This is no mere theory. It is a practical method being used by thousands of U. S. companies right now to achieve rapid growth, to tap profitable new markets, and to gain a higher than normal return on investment.

A company need not be big to use a foreign base corporation, despite the fact that giant corporations are among the best known users of this method. In fact, overseas earnings as low as $10,000 a year can often make a foreign base corporation worthwhile.

What it is

A foreign base corporation is a subsidiary of your domestic company, established outside the U. S. It can be designed to handle all of

"Only with a foreign base corporation can you eliminate the U. S. income tax on foreign earnings."

your business activities that extend beyond the borders of the U. S.

If your foreign base corporation is established in Panama or a similarly favorable location, the taxes it pays to the local government are practically nil. And since the subsidiary operates totally outside the U. S., it pays no U. S. tax on its income. Thus, by repeated re-investment of earnings, the foreign business can be expanded rapidly.

Many companies report that, using this method, their foreign businesses expand at many times the growth rate of their domestic businesses. A number of U. S. corporations report that, for this reason, they are now investing as much (or more) in their overseas operations as they are in their domestic businesses.

Even American firms whose products cannot be sold abroad are getting into the act. They are investing in, or starting up, unrelated businesses overseas in order to take advantage of the opportunities for rapid profit acceleration.

Two requirements

There are just two key requirements if you want to expand your business through a foreign base corporation.

The first is that you must give your foreign base corporation real substance. It cannot be just a paper corporation. Giving substance to your foreign base subsidiary is neither very difficult nor very costly. But it requires the guidance of experienced legal counsel.

The second requirement is that you must be willing to re-invest your foreign earnings in the growth of your foreign business. As soon as profits are brought back to the U. S., they are taxed just like domestic earnings.

Not a tax dodge

A foreign base corporation is not a tax dodge. It is an honest method of tax deferral, and it is recognized, at least unofficially, by the government.

There are now many thousands of U. S. firms with foreign base corporations in Panama alone, and the number there is presently increasing at the rate of about 20 to 30 a month. Other expansion minded companies are establishing foreign base corporations in Switzerland, Canada, and other favorable locations.

The Internal Revenue Department has never really tested the tax status of foreign base corporations. However, many companies check their plans with Internal Revenue before establishing a foreign base corporation, and get an unofficial green light if the plans are sound.

Government blessings

On two scores at least, the United States government is directly in favor of foreign base corporations.

For one thing, foreign base corporations help stimulate U. S. investment abroad. It is clear that bigger foreign investments are needed if the U. S. is to continue to strengthen friendly nations, if we are to regain a favorable balance of currency payments (and thus stabilize a sound dollar), and also prevent our own economy from being smothered into a corner by other more economically aggressive nations.

Second, the U. S. government recognizes that in most cases earnings from foreign base corporations will eventually be brought back to the U. S. By the time this happens, the foreign operation is likely to have grown to substantial size. Thus, earnings will probably be of substantial size, too, and the government's tax income could be

many times what it would be if taxes were assessed from the beginning.

The Boggs Bill

At one point this year it appeared that legislation might be passed that would, in some cases at least, partly eliminate the need for a foreign base corporation. The Boggs Bill would have provided tax deferrals on income earned in certain underdeveloped countries.

A highly amended version of the original Boggs Bill was approved in the House in May by a margin of three votes. However, the bill was bottled up in the Senate Finance Committee.

There now is little evidence to indicate that similar legislation will be passed, particularly in the immediate future.

An expert speaks

In order to provide you with the details on how you can profit from a foreign base corporation, MANAGEMENT METHODS sought out a knowledgeable expert on the subject: William D. Vaughn, president of Overseas Management Services, Inc.

William Vaughn and his associates provide various services to American firms with overseas operations. Among other services, they assist in establishing foreign base corporations, and also provide personnel and facilities for the operation of these foreign subsidiaries.

A tape-recorded interview was conducted with William Vaughn in his midtown New York office. The edited questions and answers from the interview transcript follow.

Q. As a starter, why should a company want to establish a foreign base corporation?

A. The principal purpose is to accumulate profits derived from income outside of the U. S. It permits you to keep these profits free of U. S. taxes, so you can re-invest them in a steadily growing business, which presumably throws off bigger and bigger profits. This is called tax deferral because everyone recognizes that ultimately the return on investment will have to come back into the U. S. in some fashion or other. Recently, for example, the head of a big pharmaceutical company told a Congressional committee that for the first time his company's domestic earnings were reflecting the revenue from its foreign operations. The company had started its foreign operations some 15 or 16 years ago.

Q. In other words, you end up with 100-cent profit dollars for growth purposes abroad. How many American companies are using this method?

A. A lot of companies are using it. The Ways and Means Committee of Congress conducted a survey and found that hundreds of companies plan in the relatively near future to establish a foreign base corporation.

Q. How does this method of profit accumulation work? Must you have a corporation outside the U. S.?

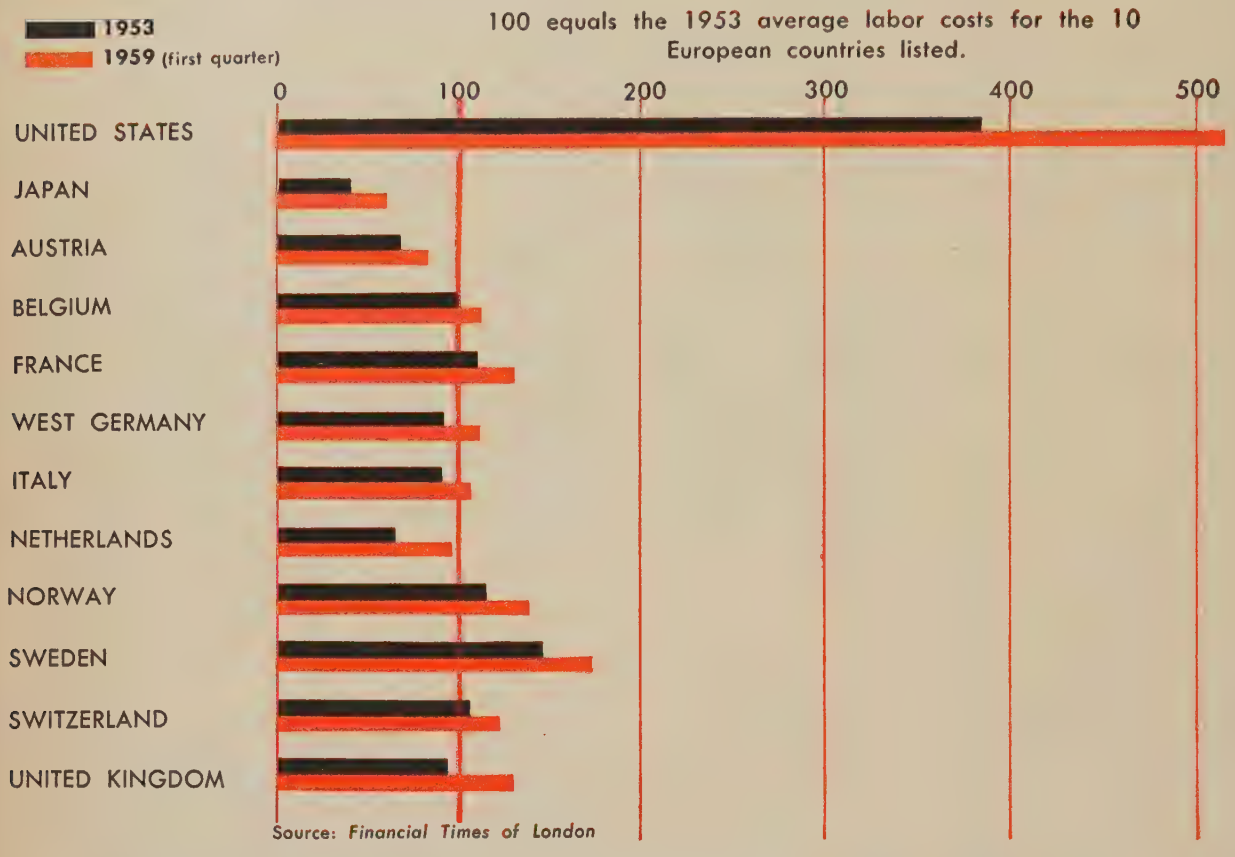
A. Yes. The tax laws in the U. S. are such that only by using a foreign corporation can you eliminate the U. S. income tax on foreign earnings.

Q. What about taxes on salaries, dividends, distribution of assets, and so on?

A. Dividends are not taxed at all in Panama. Further, a Panama corporation that operates outside of Panama may distribute all or part of its assets to stockholders without

"You may be at a considerable competitive disadvantage if you operate abroad without a foreign base corporation."

COMPARISON OF LABOR COSTS



These figures show one big reason why American companies are investing heavily in plants abroad. The figures show that the increase in labor costs in 11 other countries since 1953 has been small compared to the rise in U. S. labor costs. The difference between U. S. and Japan labor costs is shown dramatically.

any tax to the corporation or the stockholders. Salaries or other compensation paid to non-residents of Panama are not taxed.

Q. There are various countries where it seems to be most popular to put these foreign base corporations—Panama, Venezuela, Switzerland, Hong Kong.

A. Hong Kong is not too commonly used. Lichtenstein, under certain circumstances, is used. Some companies are basing their corporations in Canada. But I understand that Canada is not as attractive for this purpose now as it once was. The reason why these countries are selected is that their method of taxation differs directly with that used by the U. S. They do not tax foreign source income. If business income is not earned within the country, they do not levy a tax on it.

Q. In other words, if you have a foreign base corporation in Panama and use it to sell items in other countries, the Republic of Panama would not tax this business.

A. That is correct.

Q. Any business that is done within the Republic of Panama is taxed.

A. Yes.

Q. There must be some minor taxes involved just from having a corporation in Panama.

A. Yes, there are some miscellaneous taxes. But no tax on earnings.

Q. And this is essentially a situation with the other countries you mentioned—Switzerland, Venezuela?

A. There are variations in all of these. Switzerland's approach is somewhat different. There you negotiate your tax. There is always some tax but it is far lower than that of the U. S. There are other laws involved in Switzerland's tax picture which make Switzerland

esirable under certain circumances because it has some tax eaties with other countries, hereas Panama does not have tax eaties.

). Can any company use this ethod of doing business abroad?

. A company that contemplates oing business outside of the U. S. well advised under today's circumstances to investigate the use f a foreign base corporation. If it perated abroad without this tax eferral method it might have a onsiderable competitive disadvanage.

). Suppose a company decides that omorrow morning it is going to tart shipping some of its goods to uropean countries, or South Amerean countries. Can the company stablish a foreign base corporation mmediately and use it to handle his business?

. It is possible to establish a forign base company in some counries relatively quickly. However, it ould be a mistake to rush into this ype of a situation without a comlete analysis.

). Why is that?

. Because too many companies ave learned to their sorrow that hey have put together a foreign ase corporate structure which idn't lend itself to their requirements. The first and most opportune course is not always the best ourse. In this respect, a company s well advised to seek experienced egal counsel. Even before you do hat, it is wise to prepare a complete rogram of how you intend to operte outside of the U. S.

). What's the government's posion on these foreign base corporaons?

. The government's position has een set forth quite clearly during he Boggs Bill hearings in Washngton. The government's position s a whole has been somewhat diided between the Commerce and tate Departments on one side and he Treasury Department on the ther.

State and Commerce are interested in encouraging U. S. investent outside of the U. S. They wish to build up the activity of U. S. capital and know-how. The alternative to U. S. industry doing this directly is to do it indirectly through the federal government in various grant and aid programs and, generally speaking, it is acknowledged that industry can do a better job than the government can.

On the other side of the coin is the Treasury Department which has the responsibility for generating revenue in the U. S. The Treasury tends to resist any activities which might reduce the availability of revenue. So each of these governmental divisions is setting forth its position in a way which is to its individual advantage. The formal government policy appears to be a compromise between these two attitudes on the part of the government.

Q. Is there a possibility that a company with a foreign base corporation could find itself trapped after a couple of years? Couldn't the government decide to tax income earned by a foreign subsidiary?

A. It's doubtful. In order to do that the government would have to upset the sanctity of a foreign corporation. An alternate approach was contained in the Boggs Bill. As initially formulated, this bill would have eliminated the need to establish a corporation outside the U. S. in order to get a tax deferral on foreign investments. However, this legislation continually ran into modifications and snags and in two years was so watered down that most people are very disappointed at the prospects of the thing ever being effective.

Q. When a company decides to set up a foreign base corporation, is it a good idea to check the proposed plan with the Treasury Department?

A. Some attorneys feel that this is a good idea and other attorneys feel that it is not necessary.

Q. What kind of answer would the Treasury give?

A. It has been very difficult to get a formal ruling which says you are doing it right or you're doing it wrong as far as the Treasury is concerned. The best you can hope for is an unofficial opinion.

Q. This method of doing business is recognized by the government

"One executive says his company is forced to use a tax haven, because of a highly competitive situation."

as a means of tax deferral, is it not? There are no pretenses, are there?

A. No, there are no pretenses. The hearings on the Boggs Bill are full of testimony by leading companies on the fact that they are using foreign base corporations to defer taxes. Well recognized companies make such statements as: "We will use a foreign base corporation unless the Boggs Bill passes." Another company says: "We are forced to use a tax haven." The executive of another company said that his company is in a highly competitive situation and is forced to use a tax haven in order to stay competitive.

Q. In order to do business through a foreign base corporation, what is necessarily involved? Do you have to ship your goods through the country where your corporation is? Do you have to do your accounting there? What's involved?

A. There are two basic ways to handle the export of materials from the U. S. One is to sell the products from the parent to its foreign subsidiary and move these products outside of the U. S. into a warehouse. Then the subsidiary sells . . .

Q. Into a warehouse in the foreign base country?

A. Usually free ports are used for this purpose. Panama provides the Colon Free Zone, which is a free port. A U. S. company could, for example, sell and ship its merchandise to its subsidiary in Panama. The merchandise would reside in the Panama free port, requiring no payment of duty to the Republic of Panama. The Panama subsidiary corporation then resells this material any place in the world and ships it from Panama.

Now, this procedure obviously lends itself best to merchandise of a high ratio of value to weight. It doesn't work for relatively heavy, expensive-to-ship items with a high weight-to-value ratio.

Q. You wouldn't ship a locomotive from Chicago to Panama if it's going to end up in West Germany.

A. That is quite true. But with pharmaceuticals and other small, lightweight, high value products, it does work advantageously.

The alternate approach is to appoint the Panama corporation a sales agent. The goods are shipped from the U. S. company to the customer in any foreign country, with a commission paid to the Panama company as sales agent.

Now, in both of these cases, it is necessary for the Panama corporation to have what is generally called substance. And this substance is all of the processes and resources involved in operating a business. The foreign base subsidiary should have an office in its foreign base country, or at least outside of the U. S. It should have people on the payroll outside the U. S. It should have officers of its own outside of the U. S. This is a partial example of what constitutes corporate substance.

Q. How much substance is needed?

A. That is a matter of interpretation. If your foreign subsidiary lacks sufficient substance, the government can say you have no foreign corporation, and tax the parent corporation on foreign earnings. Thus considerable emphasis is put by legal counsel on the establishment of substance.

There is no definitive legislation or decree which says what constitutes the minimum required corporate substance. Therefore, the accepted practice now is to give your foreign base corporation as much substance as possible. The more substance you have, the less chance you have of difficulty.

I believe the Internal Revenue has purposely not stipulated the minimum requirements of substance for a foreign base corporation. They know that if the line were drawn, many or most foreign subsidiaries would be given just the bare minimum of substance, and no more. I believe the Internal Revenue is keeping an eye on those U. S. corporations that are making flagrant violation of the spirit of foreign base corporation, but I think they are aware that most companies using this method are trying to do it on a sound basis that benefits the U. S. economy.

It is the attitude of our organization that this matter should be approached in the most conservative fashion. The reason for the existence of our organization is to provide a company with the opportunity to get the maximum amount of substance, despite the fact that the company may not have a large amount of foreign business.

Q. Is it possible to set up a foreign base corporation today and start doing business with it tomorrow?

A. Theoretically it is possible. It all depends on how you were doing the business before you established the foreign subsidiary. A company that has not already established a fixed pattern of directly doing business abroad could perhaps begin using a foreign base corporation immediately. But if your foreign business pattern is already established in another form, the problem may be a little more difficult.

Q. This is a pretty costly thing to do, though, isn't it? You're talking about setting up a corporation—employees, officers, banking connections, and so on.

A. There are definite costs to consider. If a large amount of foreign

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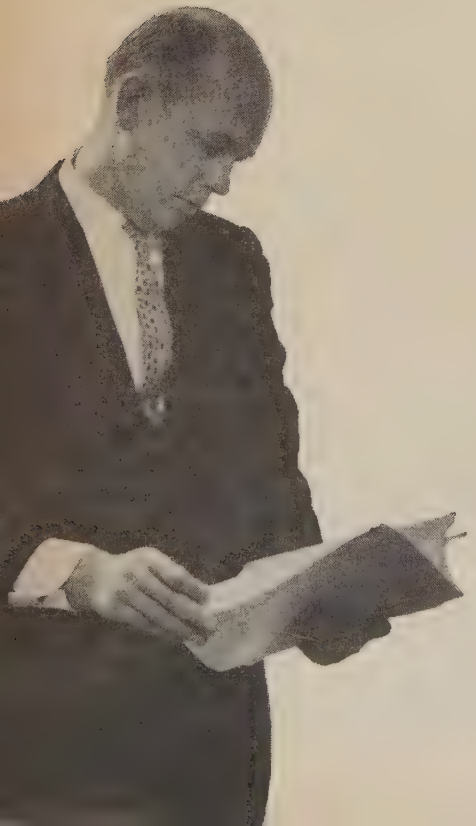
"The more substantial your foreign base corporation, the less chance you have of difficulty."



what to do WHEN GOVERNMENT CONTRACTS ARE CANCELLED

If your firm does government work, you face the danger of severe losses from terminated contracts. But contract cancellations don't have to mean money out the window. If you know what to do, you can neutralize the blow of a contract termination. Through the case history presented here, you can "experience" a cancellation and learn the actions to take if one hits your firm.

by Charles M. Colt

Manager, Contract Administration
Consolidated Controls Corp.
Bethel, Conn.

Suppose you hold a government contract. What would you do right now if your secretary dropped a telegram on your desk that read: "Stop all work on government order number--------"?

Would you know the immediate actions to take to minimize any loss from this cancellation? Chances are you wouldn't, unless you've already been through a couple of cancellation cases.

You're not alone. Despite the fact that government contract cancellations occur fairly frequently, they still catch many firms totally unprepared. It's important to "expect the unexpected" when dealing

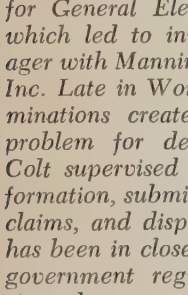
with the government. To see why, consider this example.

Two years ago, a manufacturer landed a government contract. He immediately bought new machinery and hired more men. He even altered his manufacturing processes to meet the new order.

Six months later, production was progressing smoothly. One large shipment had gone out. A second was being readied. Then a telegram landed on the manufacturer's desk one afternoon. It was a "Stop all work" order from the government.

The company was thrown completely off balance. What was to be done with the warehouseful of special parts? What about money spent tooling up for the government order? What about such expenses as salaries, new equipment and materials? Was this investment lost?

Many precious weeks later, management found there was a way to recover its expenses: file a termination claim. But operating capital had sunk dangerously low. Random layoffs had crippled the work force. Anxiously trying to find a new avenue for profit, management had gotten the company into a near chaotic condition. The firm came through the crisis seriously damaged.



About the author

Charles M. Colt is manager of contract administration for Consolidated Controls Corp., Bethel, Conn. He has submitted and settled hundreds of government contract terminations, valued at millions of dollars, for Consolidated Controls Corp. and other firms.

A graduate of Boston University, Colt has worked in production control for General Electric Co., a position which led to inventory control manager with Manning, Maxwell & Moore, Inc. Late in World War II, when terminations created a huge inventory problem for defense manufacturers, Colt supervised collection of cost information, submission and collection of claims, and disposal of inventory. He has been in close touch with changing government regulations and policies since then.

What about you? Would a contract cancellation cripple your firm? Study the following actions. They will help you to minimize losses from government contract terminations.

Actions to take

Here's what to do *before* the government rug suddenly is pulled out from under your financial feet.

Know the rules of the game. Actions to take in the event of a contract termination, plus the expenses you are allowed to charge for, are included in the U. S. Armed Services Procurement Regulation, particularly Sections VIII and XV (available for $18 from the Superintendent of Documents, Government Printing Office, Washington, D. C.) and in the Canadian Department of Defence Production DDP26A and DDP31.

Guard against "too many eggs in one basket." An obvious point, but many companies become all too dependent on one government project.

Expect the unexpected. If a contract termination catches you unaware, you might make hasty, and wrong, decisions about what to do. Determine now which of your managers would have to take immediate action if a cancellation came in tomorrow. Determine the specific jobs each would have to carry out.

Find termination consultants. Like tax consultants, there are termination consultants who can help you claim all you legally deserve in the settlement of a terminated government contract. Sometimes they are hard to locate. If directories don't list government contract specialists, check other firms in your area that have government contracts. You may be able to hire their contract administrator for some after-hours help.

Watch the trade papers. If a government project is in danger of being cancelled, it usually gets into the trade papers. Thus warned, you may have time to increase shipments, thereby reducing the amount to be cancelled. You may even complete the contract. (If you are subcontractor, it's necessary to know the end use of your products in order to get any benefit from trade paper cancellation news.)

If a contract cancellation hits, take these actions immediately:

Get permission to ship and invoice any finished goods on hand. If the termination catches you with some finished products, you can sometimes obtain permission to ship and charge for this portion only. It's one way to get back some working capital quickly.

Negotiate a price increase. One possibility, if the contract is only partially cancelled, is that you may be able to raise your price on the items which were not cancelled. This is because you are shipping a smaller total quantity and are reducing the rate of deliveries.

Submit claims fast

The above actions are natural ways of protecting your interests. But they leave untouched one major problem: termination claims.

A termination claim is a form that you submit to the government (or to your customer if you are a subcontractor) in order to obtain reimbursement for expenses incurred on cancelled contracts.

If a cancellation hits, get your termination claim in fast. Here's why.

It often takes months, and sometimes years, for the government to settle termination claims. Claims must be investigated, passed around and acted upon in turn. (At present, there are billions of dollars in termination claims pending.) Delay freezes working capital, and too often has led to the bankruptcy or forced sale of a business.

If you submit your claim quickly, it enables the government (or your customer) to process your claim ahead of the flood from other suppliers. Make it accurate. If the claim is free from errors, it won't be delayed by the need to resubmit it with corrections.

When not to file claims

Some firms, realizing delay is inevitable, sidestep the issue and agree to cancel the contract at no

arge. This is a reasonable solun in the following situations:
1. When you have incurred negible costs on the terminated or-r.
2. When costs are for parts you n use for other orders without loss without holding excess inventory.
3. When the cost and aggravan of preparing a claim, and netiating settlement, outweigh the entual income to be obtained. my opinion, it is not economi- to submit a claim for less than 0. Firms which have dealt with ntract terminations sometimes set it figure higher.)
Even if you have substantial sts, the "no charge settlement" proach may be tempting. But n't let the government off the ok just for the sake of conven-ce. It is your right to be reim-rsed for any expenses incurred der a government contract.

ase history

Outlining the actions to take in event of a contract termination easy. But what happens in actual actice? Here's what one company l when its contract was can-led.
The Termin Co., a small firm em-ying 200 people, received in-uctions to terminate the balance several fixed price orders. These tructions came from the Prime ., which had similar instructions m the U. S. Air Force.
The orders were valued at 00,000. Approximately $200,000 rth of orders had been shipped l billed. This meant that 00,000 now could not be billed er the next few months, although ch of the cost for this billing had en incurred. To compound the blem, major components were order from Lowertier Co. and er small suppliers.
Being inexperienced in govern-nt contracts, Termin Co. was not ganized to handle the problem tomatically. The president met h the treasurer, sales manager, oduction manager and purchas-agent. He outlined the situation. t was obvious that no further ts should be incurred, both from company standpoint and accord-to instructions in the termina-n notice. The firm needed payment for work done as soon as possible. It realized, however, that this would take longer than normal shipping and billing. As a first step, the following jobs were delegated.

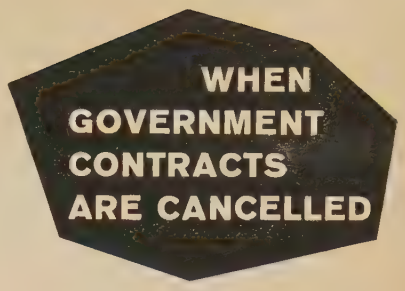
Production manager: stop all work on cancelled orders, their suborders, tools, etc.; notify purchasing agent which purchase orders to cancel; segregate inventory for cancelled orders, then count and list for costing (including material with Termin's suppliers); determine what other work could fill the gap in production; rearrange facilities; seek ways to reduce direct labor expense.

Purchasing agent: stop work on all related purchase orders as specified by production manager; obtain cancellation claim (or agreement to cancel at no charge) from each supplier, as quickly as possible.

Treasurer: review cash position and the need for borrowing; determine direct costs for checking with priced termination inventory; list indirect costs incurred for engineering, drafting, capital equipment, factory rearrangement, etc.; devise system, and determine rates to be charged for recovering overhead costs, general and administrative expense; report effect of termination on office staff, either for lack of work or extra work that results.

Sales manager: discuss with customer (Prime Co.), in view of substantial costs incurred, the (remote) possibility of reinstating all or part of the orders; request permission from customer to ship and bill the finished products on hand so that customer can include them in his termination claim (the items are at full price either way, and if they appear in the customer's claim, he can add his general and administrative expense and profit); obtain instructions for submitting termination claim, number of copies, deadline, etc., from customer; negotiate with Prime Co. for repricing portion already shipped, since total quantity is now reduced from the original amount.

Two days later, the same men met again. Each reported that his requested actions were completed or in process.



Sales manager reported that: finished products on hand would be shipped and billed, thereby reducing the termination claim and the resultant paperwork; claim must be submitted to Prime Co. within six months and the settlement would require about a year more. (In view of the need for payment, Termin decided the claim should be submitted within two months.)

Production manager reported that: one month would be needed to locate and count parts, determine stage of completion, list, divert parts to other orders where possible, and store; under regulations, inventory would be offered to the government in return for payment and must be safeguarded; layoffs were necessary and factory rearrangement was proceeding.

Treasurer reported that: 15 factory and office personnel should be laid off immediately (possibly more later) and that their termination pay could be included in the claim as could factory rearrangement costs; indirect costs and work rates had been compiled, for use when inventory had been listed; one month should be ample for costing inventory and submitting government forms—but a study of the regulations leaves many questions, particularly on starting costs and allowable indirect costs.

Purchasing agent reported that: only Lowertier Co. requested termination charges, but needed six months to submit claim and didn't know how to do so.

With these specific reports in hand, Termin's president made these specific requests.

First, he directed the treasurer to seek help from an outside expert on starting costs, allowable indirect

continued on page 84

Part 2 of a five-part series

How to double or triple your reading speed

Do you need more time to get things done? A way to get more time to accelerate your reading speed. It takes no special talent to do it—ju practice and willingness to break inefficient reading habits. In this five-poi series, you can learn to cut your reading time in half. This is the secon of the five monthly "lessons."

Through skilled reading habits you can dispense with your "must reading" in half the time it now takes you.

In the first article of this series we discussed a technique for faster reading called "phrase reading." In order to acquire this habit you must develop an awareness of phrases. This can be done consciously at first by circling phrases in pencil and then by re-reading the article phrase by phrase rather than word by word. Gradually you will develop the ability to see phrases unconsciously.

Beginning readers and most untrained readers depend on saying and hearing the words, as well as seeing them. But, while you can see and comprehend several words at once, you can say or hear only one word at a time.

Columnar reading

You can also improve phrase consciousness by letting your eyes move down a column of type with only one fixation per line. At first it will help you to draw a pencil line down the center of the column and to follow this with your eyes. Try to see the first and last words of each line of type while looking directly down the center. Sample:

Management Methods is a magazine that offers practical solutions to management problems. It identifies specific problems, suggests solutions and gives case histories showing how the solution has worked in one or more companies, and the results achieved. Top executives throughout the country have rated _Management Methods_ the most useful of all business and management publications. Many call it the "how to" magazine for presidents and other administrative level managers.

To start, you may find it easier to try the second and the next-to-last words of each line of type. Later you may practice this technique on the way to work or during the work routine when it is necessary to read columns of news or magazine print. Though this and many of the other techniques may sound like a waste of time, they help greatly to increase your eye span.

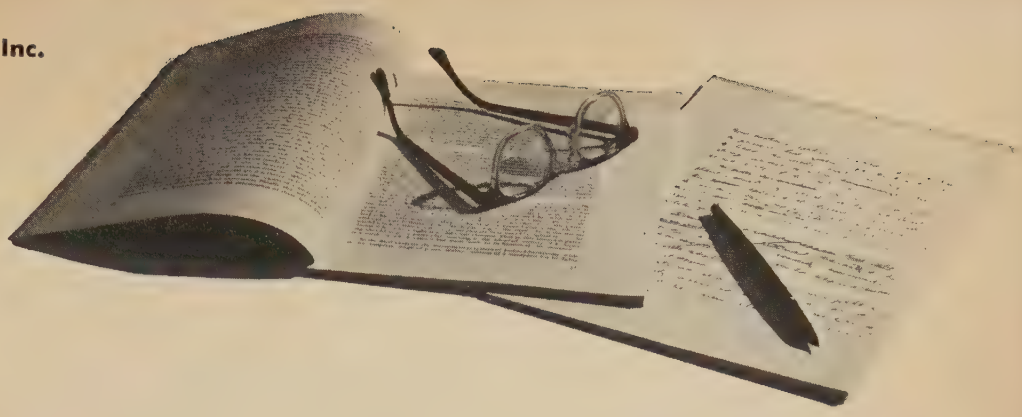
The following exercise will tell you whether or not you are an auditory reader (one who depends on saying and hearing each word).

Repeat aloud, over and over, until it becomes almost automatic, this chant: "one, two, three, fo one, two, three, four, etc." Then H gin to read while still chanti aloud. If you depend on heari and saying the words you read, th the print will seem quite meanin less.

In order to become a *visual* rea er, keep up this "mumbling" pra tice. You will soon find that you a able to direct your mind to wh your eyes are reading, while yo auditory and vocal organs are bu with the chant. When this happe you are on your way to real readi efficiency.

Phrase reading helps your co centration and comprehension well as your reading rate. The plo ding, word by word reader thin more rapidly than he reads. H mind races ahead, becomes d tracted. The phrase reader gets t material in bigger "visual bites," a has more to occupy his attentio Because his concentration is bett he is much less likely to becor distracted.

Furthermore, we naturally thi in concepts or thought units. reading phrases you read thoug units. You do not have to stop af a few words to assimilate an id as does the word by word read



ecause you are already reading in leas or concepts. This ability is asic for more effective reading.

ndenting as a technique o increase reading speed

The eye is automatically pulled the margin or white space on ei- er side of the printed page. If ou are reading properly, by phras- , then it is unnecessary to begin the very beginning of a line or go to the very end of it. There is othing in the margin to read and you are reading by phrases then is wasted motion. Start every line out one-eighth of an inch in and ad to one-eighth of an inch short the end margin, then swing wn to the next line one-eighth of inch in, etc. At first, to acquire is habit, sketch a light line down ch side of the page you are read- g as has been done on this para- aph. These guide lines will help u to start and finish within the nits suggested. You will notice at there is almost a physical pull the eye to go all the way to the rgins. Like the other techniques u will learn in this series, it takes actice to overcome firmly estab- hed habits. However, all the rts help to make the whole, in is case, the skilled reader.

ave a good reading nvironment

Eye fatigue and visual strain ac- unt for a large part of distraction. is taken for granted that you are ware of the value of good lighting. hoose a location for reading and search where interruptions will at a minimum. Don't be too mfortable. Try for a compromise tween relaxation and tension. A tle tenseness helps you to stay rt.

Finally, as much as your sched- e allows, try to make your read- ing time and place habitual. You will begin to associate the time and location with concentrated reading efforts. Habit will become a help. Comprehension *will* increase with speed.

There are various techniques to help your comprehension and concentration which will be discussed at length in this and future articles. It should be stressed, however, that many people are very hesitant to use speed reading techniques for fear they are dropping in comprehension. This is not true! To be sure, at first perhaps you will be thinking so much about the technique itself that your comprehension will drop. Like learning to play the piano. First you concentrate on placement of fingers on the keys and the resulting melody will be static, uneven and quite far from perfection. Chances are you hardly hear the melody because it is necessary to concentrate fully on the new physical techniques. Once you become unconscious of the new movements then it is possible to concentrate entirely upon interpretation rather than on individual notes.

This same method applies to reading, though the skills described do not require nearly as long a time to acquire. Push yourself to read rapidly by phrases until it seems that you are fairly skimming the page. Many businessmen being taught to read in this way have a great deal of trouble in overcoming the fear of missing something, especially men who are in editorial positions which require careful proofreading.

A 64-page do-it-yourself book, which tells you the how, what and why of reading improvement with self gauge to determine your reading rate, is available for $2 from Developmental Research Institute (an affiliate of The Reading Laboratory, Inc.), Order Department, 500 Fifth Ave., New York 36.

Self pacing

Adjust your pace to the purpose. An automobile has several gears for several purposes: *low* for power-hill climbing, driving on slippery ground and rough places; *high* for ordinary roads; *overdrive* for speed. You can adjust your reading gear in the same way, according to your purpose in reading and the difficulty of the material. After pre-reading, determine which reading rate to use.

Low gear (painstaking, thorough reading): **Important and difficult new concepts in your field. Reading material you need, the terminology of which is strange to you.**

High gear (normally fast reading): **Fairly routine articles in your own area of knowledge. Non-technical but important topical material. Departments in *Management Methods* (slowing into low when an item is particularly important to you).**

Overdrive (skipping, skimming): **Reviewing material already familiar to you. Searching for a particular fact in otherwise irrelevant material. Fast glimpse of main ideas in an article.**

As you develop a smooth rhythm of phrase reading then also practice shifting gears, reading fast or slow depending on the material. Learn to adjust rapidly to the nature of reading material before you. It will give you a greater feeling of control and the resulting efficiency will allow you to do all work with greater confidence.

How to halt a

When employees have to parade in order to communicate, waste the result. And the waste compounds itself. Here's how to stop

by B. A. Stein
Dictograph Products, Inc.

BEFORE
Here's a typical company office. As in every busy office, people are constantly talking to each other. In fact, in this particular office, they spend a good part of their time parading back and forth to each other's office. . . .

Are you payi people to exercise their feet inste of their minds and hands?

Footsteps in any business co money. Yet it's common in man companies to see ant-like proce sions of travelers—each carryin some vital bit of information another. Continuous movemer makes people look busy, but anal sis usually shows that people on th move are not getting much don People can't parade and work to

Once a parade gets started in company, its numbers tend to swel Before long everybody is marchin and taking longer and longer fo each journey.

How a parade is born

Let's say **Employee A** carrie some essential statistic to **Employe B** in the next office. There's mighty temptation to linger for few words about sex, TV, or weath er conditions. On the return tri **Employee A** may decide to make short detour to say "hello" to **Em ployee C.** Meanwhile, **Employee** has left his desk and is searchin for **Employee A. Employee E** is o the trail of **Employee D.** Th switchboard operator is scouting fo both **Employee E,** who has an i coming phone call, and **Employe F,** who asked her to place a lon distance call, then dashed off search of **Employee E** to get som figures he'd need for the call. Wit in a very short period of time, th whole company is in a state of utt

communications parade

haos, with everybody wandering dashing about in search of each her.

Does this seem farfetched? A udy in the New York headquarrs of a tobacco company showed at stenographers left their desks often as 20 times a day to get ecessary facts from other offices.

There is a logical way to short rcuit this wasted travel time in a mpany. The answer: intercoms.

case in point

With a properly designed interal communications system, there is reason for the parade to get arted. Thousands upon thousands footsteps can be eliminated; any manhours of productive time n be added to the workday. This, company after company has disvered, converts itself into real llars and cents.

Take the case of a Long Island, . Y. manufacturer of containers. he company had a constant flow information between sales, proction, shipping, and bookkeepg. Administrative people were iking" and taking an average of ght minutes to exchange two mines of information. Customers had fficulty getting through to the les department because salesmen ere either on the phone to producn and shipping, or they were ere personally because they uldn't get through on the phone.

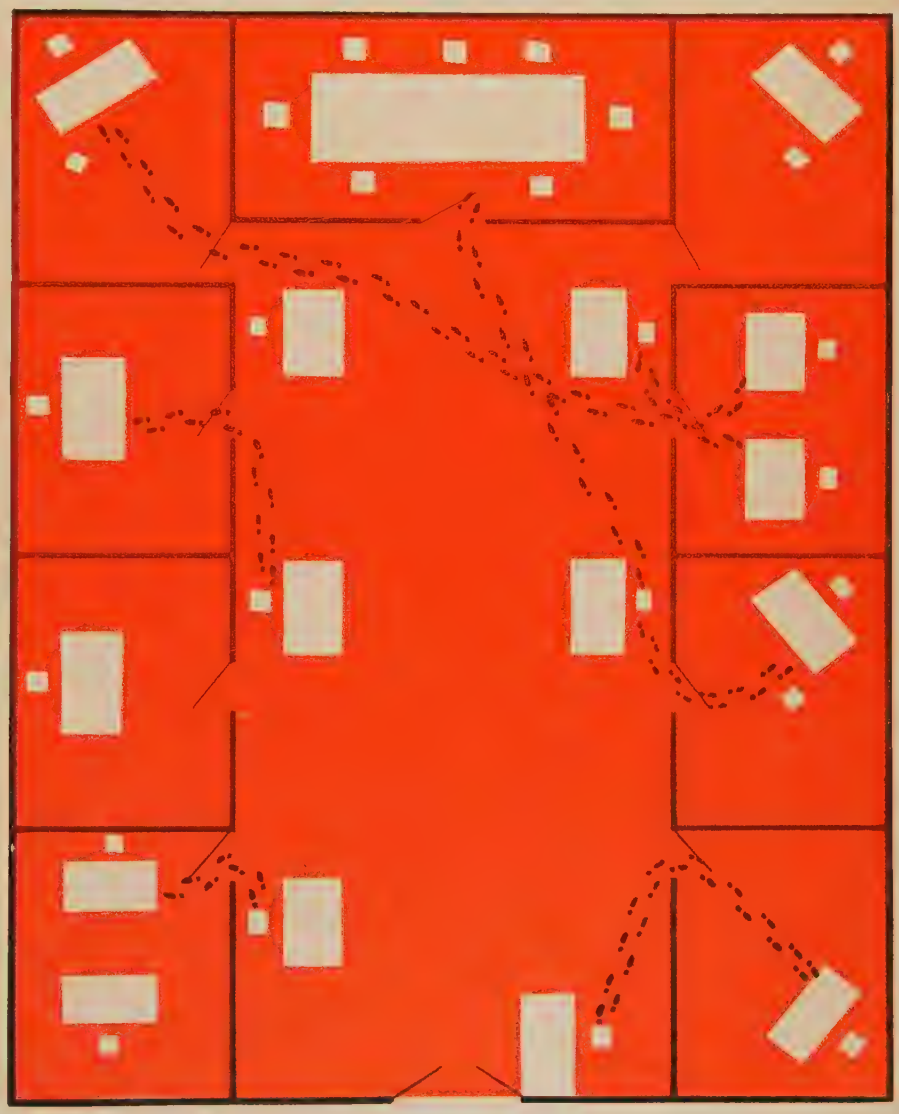
The most immediate effect of is communications jam-up was e loss the company suffered in asted manhours because of the nstant "hiking." But there were her more subtle losses. Because e salesmen weren't readily availle for incoming calls, a high perntage of callbacks were made, shing the phone bill up. Also, stomers were kept waiting. Even ter the customer was connected, sometimes requested informan which the salesman did not have. This meant the call was returned to the switchboard while the salesman used his phone to get the necessary information from shipping or billing. If the other phone was busy, the customer had to be called back—another contribution to high telephone bills. The company found it was losing manhours, sales, and customer goodwill.

An internal communications system solved the problems.

It cut down workpost absenteeism by more than 60%, according to figures drawn from recent studies.

It allowed incoming calls a clear track to the wanted party since the outside phone was no longer used for internal contact.

And it let the salesman get in-



AFTER
But here is the same office—with one important difference. The communications parade has been halted. Intercoms have replaced footsteps, and provide instant communications. Only occasional face-to-face contact is necessary.

When call requires more information, it can be obtained instantly by an internal call on an intercom.

formation for the customer while he was still on the outside line.

With the elimination of a high percentage of callbacks, the company found it cut its phone bill by about 30%.

Desk hopper to button pusher

But not every system operates to the total benefit of the company. The desk hopper sometimes becomes a button pusher. With an intercom, he finds it even easier to contact people and pass the time of day chatting. Some executives find that the intercommunication system allows too easy access to them with the result that they're bothered with petty details.

However, internal communications system manufacturers are overcoming these disadvantages. By engineering systems to connect only those people who must constantly be in touch with one another for business purposes, gossiping is held to a minimum. And modern systems tell the executive who wants him, enabling him to screen his calls; they also tell him who called when he was away from his desk. The buzzer, which can be annoying, has in many cases been replaced with a chime.

Some of the intercoms in operation today could be called "girl fridays." They'll take dictation, turn on a music system, and even open and close drapes at the push of a button.

There are many daily indications of whether or not a company can benefit by an internal communications system. For example:

- Are administrative people constantly on their way to and from the file room, the purchasing and shipping departments, or other areas?
- Are too many callbacks made on incoming local or long distance calls?
- Do customers complain that it takes too long for them to get information when they call in? Are they kept waiting because the person they want to speak to is using his phone for an internal call?
- Do executives find that what was intended as a short meeting with two or more of their associates turns into a full-fledged conference?
- Are men within the company who must be in contact regularly calling one another back because of busy signals?
- Do company personnel complain of too many people on the same extension?
- Is production held up longer than necessary because information on a breakdown or jam-up takes too long to reach the party who could resolve the problem?

How to judge the need

To check a company's existing communications system the best place to start is at the source—the switchboard. Ask the operator to estimate the percentage of total calls that are intra-company. Some studies show that if more than half the switchboard load consists of internal calls, this points to the need for a separate communications set-up with an independent automatic switchboard.

The operator also should be able to estimate:

- The percentage of callbacks made because the wanted party was busy with an internal call.
- How long outside calls had to wait while internal calls were being completed.
- Who the people are who use the switchboard most frequently for intercommunication purposes.
- The approximate amount of time during the day that the switchboard is operating at capacity.

Next, company's executives can be queried. They should be asked to estimate:

- How long it takes them to contact the people with whom they must continually exchange information.
- Whether the present system affords them needed privacy.
- How often they need to secu inside contacts while on an outsi wire.
- Whether they have difficul reaching the switchboard operat
- How often they leave their des to confer with two or more asso ates simultaneously.
- What percentage of these co ferences could be handled over a internal communications system.

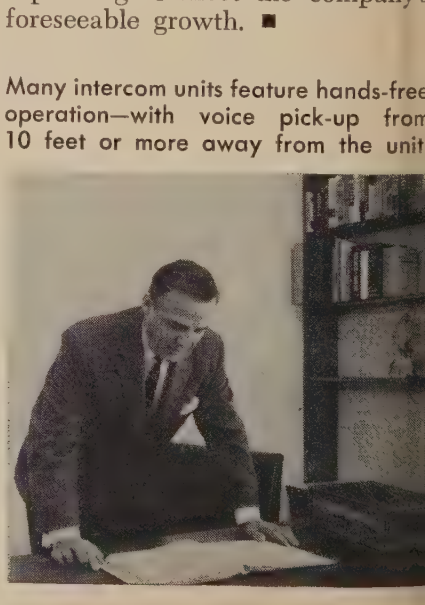
Finally, study the layout of th office and observe office traffic. N tice the distance between depar ments and between executives ar their secretaries and assistants. No the traffic between these vario points and estimate what percen age of it could be eliminated b means of an efficient internal com munications system.

By carefully compiling the an swers to these questions, you ca estimate approximately how muc money the company is losin through wasted time and effor You won't be able to estimate hov much customer goodwill is bein lost by an improper internal com munications system. However, i the company is suffering a calcu lable loss from the former, th chances are that it is sustaining significant loss from the latter.

In all, there are four ways to im prove an internal communication problem:

1. Determine the extent of th communications malady.
2. Decide what specific problem the system must solve.
3. Have the system engineere to follow the firm's organizatio plan.
4. Be sure that it is capable o expanding to meet the company' foreseeable growth. ■

Many intercom units feature hands-free operation—with voice pick-up fro 10 feet or more away from the unit



by W. Sherman Burns, *President*
William J. Burns International
Detective Agency, Inc., New York

DOES YOUR PLANT INVITE THEFT?

Your plant may actually invite thievery. Many plants do. This checklist article tells how to set up a tight protection system for your plant. It's low cost, you can do it yourself, and it saves thousands of dollars annually.

You can save thousands of dollars an-
ually with a tight plant protection system—in ways
u might not even realize.
For instance, good plant security protects against:
Pilferage (studies show pilferage costs firms thou-
nds of dollars each year).
Collusive theft (employees might cooperate with
livery drivers to cheat you).
Employee carelessness (machines broken by care-
ssness are expensive to repair).
Sabotage (don't think you're immune; there's no tell-
g what a disgruntled employee may do).
Leakage of company secrets (you might lose impor-
nt competitive data this way).
Extensive fire or water damage (these calamities
n cost you thousands of dollars).
You can set up your own plant protection system, at very little cost. The following guideposts will show you the basic protective actions to take. Of course, not every question will apply to your specific situation. But the chances are they'll suggest other positive measures you can tailor to your particular situation.

Experience shows this checklist will work for any size firm, whether it has 50 or 50,000 employees. Have someone survey your plant with this checklist, then return this copy of the magazine to you. It's a quick and easy way to pinpoint areas that need attention.

This article is divided into two parts: security from the outside in, and security from the inside out.

Just as there are numerous ways that people can steal from the outside, so are there ways that employees can pilfer from the inside. This article does not imply that all, or even a majority, of workers are dishonest. But a small minority are. It is this minority that you must protect yourself against, if you want to shave costs.

One easy way to guard against internal pilferage is to remove temptation. This means proper storage and protection of movable materials. Fire and water damage protection is important, too, because it can save you money on insurance premiums.

What about persistent losses?

Some companies, in spite of extensive security precautions, still have persistent losses. Many of these firms have turned to hiring special undercover workers to spot pilferage and report it to management.

To be effective, these undercover "operatives" should come in through regular employment channels. None

About the author

W. Sherman Burns is president of The William J. Burns International Detective Agency, Inc. The 51-year-old firm employs more than 15,000 specialists in providing protection services for business and industry.

He is a son of the late William J. rns, former head of the FBI and founder of the com-ny. W. Sherman Burns joined the agency after gradu-ng from Stanford University and law school. He became sident when his brother, Raymond, moved up to chair-n of the board.

but a few senior executives in the plant should know their identity. The fewer people aware that undercover work is going on, the more effective the investigation is.

If you think undercover work is unethical, ask yourself this question: is pilfering unethical? If you think it is, don't you have the right to protect against it?

These undercover workers can help in several ways. They can spot collusive theft between employees and someone on the outside. They can pinpoint weaknesses in your security system. They can also give you a bird's eye view of what is going on inside the plant. They can supply needed information about employees who are untrustworthy. What's more, undercover operatives can easily spot highly skilled, dedicated employees who might be worth promoting. In short, these operatives can often collect information which would be difficult for you to get with other methods.

Government contract security

Suppose your firm lands a government contract. You have to set up a security program in a hurry. What do you do?

First, see that all the recommended actions above are in operation. The government will advise on th subsequent steps to be taken.

The type of work you do for the government dete mines whether clearances are needed. If confidentia secret and top secret clearances are necessary, the go ernment will handle it. It checks everyone fro guards, clerks and stenographers up to top scientis and top management.

The type of clearance a person gets depends on th work he contributes to the project. "Need to know" the general rule.

Now, examine the checklist on the opposite pag You might find several weak spots in your plant se curity that need tightening.

If you have answered a majority of these questio negatively, chances are your basic security is poor.

Some firms consider themselves adequately pro tected if there are a few over-age employees servin as watchmen. Other firms go so far as to build a "littl Fort Knox," spending thousands on professional guard elaborate fences, alarm systems, etc.

Chances are a security system somewhere betwee these two extremes will work best for your firm. It easy to set up—and easy to afford. ■

EXAMPLES

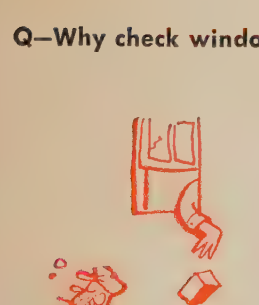
Q—Why protect loading docks?

A—Loading docks offer excellent opportunities for collusion between dishonest employees and truckers. On incoming deliveries, a dishonest employee can sign for a dozen packages, while receiving only eight. The missing four are sold in a black market operation and the profits split.

Q—Why check disposable waste, garbage, etc.?

A—In one case, it was found tha dishonest employees were wrappin foodstuffs in polyethylene bag concealing it in garbage and recov ering it later. In another case, sma electric components were bein smuggled out the same way.

Q—Why check windows facing on quiet streets?



A—Confederates working on the outside show up by prearrangement and pick up innocent-looking "rubbish" that has been "carelessly" tossed out. In any number of cases it has been found this contains finished products or valuable parts.

Q—What is the best way to protect against pilferage

A—Actually there is no "best" meth od. One effective method is to plac an undercover operative in a sus pected area to check out method of stealing. Examples can be mad by apprehending unsuspecting em ployees who leave with conceale goods. Or you can educate employ ees about what such losses mea to the company and to their ow income.

TEST YOUR PLANT FOR SECURITY

From the outside

	YES	NO
1. Are all entrances and exits properly fitted with locks?	☐	☐
2. Are strategic exits and entrances—used by employees, trucks, visitors—protected by guards?	☐	☐
3. Are visitors and truckers checked in and out?	☐	☐
4. Is it made mandatory that they properly identify themselves and register in and out?	☐	☐
5. Are lower floors with windows protected from vandals?	☐	☐
6. Is the plant area fenced off?	☐	☐
7. If it is, are all gateways manned by guards?	☐	☐

Emergencies

	YES	NO
8. Do your exterior guards have the means to spread alarms rapidly in case of emergencies? (Telephone, intercom call box, electronic alarm system, electronic gate closing and locking devices.)	☐	☐
9. Are your guards regularly supervised and checked out to determine that they follow prescribed procedures? Do you have: spot checks by superiors; daily check of log book; unannounced check by senior security officer or other executive; practice drills to insure alertness?	☐	☐
10. Are your guards regularly rotated to insure familiarity with the entire plant and to prevent lethargy?	☐	☐

Shipping and receiving

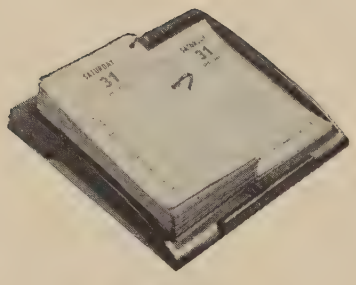
	YES	NO
11. Are your shipping and receiving docks under constant surveillance?	☐	☐
12. Are loadings and unloadings carefully checked?	☐	☐
13. Are these checkers well supervised and regularly checked to determine if collusion exists between them and drivers?	☐	☐

From the inside

	YES	NO
1. Are all fire exits clearly marked?	☐	☐
2. Are fire protection sprinkler systems, hoses and connections and chemical extinguishers checked regularly?	☐	☐
3. Are assigned personnel instructed in fire hazard inspection methods and in emergency fire fighting?	☐	☐
4. Is waste paper and other debris constantly cleared and stowed?	☐	☐

Pilferage, smuggling, theft:

	YES	NO
5. Is all garbage or other disposable material checked?	☐	☐
6. Are your inventory departments screened or walled off?	☐	☐
7. Are employees required to sign receipts for all materials received? If not, how are withdrawals checked?	☐	☐
8. Are tools issued indiscriminately or are order slips required? (Some firms, reversing the trend away from red tape, make it fairly complicated to check out tools and materials. Elaborate systems, they've found, discourage impulsive pilfering.)	☐	☐
9. Are individual production records maintained and checked against issued materials?	☐	☐
10. Are employees permitted to wander outside working areas to unprotected places while carrying materials?	☐	☐
11. Do they have access to their cars in unsupervised parking areas during rest or lunch period?	☐	☐
12. Are employees carefully checked in and out at all times during the day and are packages inspected?	☐	☐
13. Are shipping docks under constant surveillance?	☐	☐
14. Are all truck loadings carefully supervised and shipping bills tallied immediately?	☐	☐



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Manager asks expert

Dr. Robert N. McMurry

AT IS THE BEST WAY TO SOMEONE?

stion: We are a small but growcompany. In the course of tryto build a strong nucleus of talhard working men, we've to let several people go. As ident, I know the job of firing a rests on my shoulders. Frankly, te it. Do you know of a smooth, ctive way I can let a man out?

wer: There was once a comy president who prided himself is gentleness in releasing execus. He was so gentle that it took vice president three months to ze that he wasn't on a paid e of absence "to look around the ntry a bit," but was actually l. The light finally dawned n he came back to his office and d his name had been replaced he door! As you can imagine, would have preferred decisiveto gentility.

iring a man is never a pleasant rience for any executive. But etimes it has to be done. In my it's best to do it in a straightard, matter-of-fact manner out any pussyfooting and with as little preliminary sparring in the conversation as possible.

In most cases the handwriting is on the wall and the man knows dismissal is coming, so it will not be any shocking surprise to him. The main thing to remember is to avoid recriminations and to help the man to avoid them, too. Put the matter on a "best for all concerned" basis and make it very clear that the decision has already been firmly and finally made.

A man I knew was once fired with these words: "Mr. Jones, I foresee a great future for you—but *not* in our organization." This very aptly illustrates the two principle considerations in firing an unsuitable employee: don't bruise his ego; and don't become involved in explanations which can start endless arguments.

HOW CAN I STOP MANAGERIAL IN-FIGHTING?

Question: Both my sales vice president and my financial vice president are good managers. The sales vice president has been with the company 11 years and the financial vice president has been here nine years. My problem is this: I'm due for retirement in three years. Both of these men are in line for the presidency. Even now, they're beginning to line up support. Each has asked me who I am going to recommend, but I have told them that I will make that decision shortly before I retire. Lately, I've heard a couple of nasty rumors about each man. It seems to me that each is out to "get" the other, and both their jobs are suffering as a result. What can I do to stop this competitive "in-fighting," and still not discourage either man or show partiality?

Answer: Stop playing cat-and-mouse. If you don't know after nine years exposure to both of them which is the man to fill your shoes, then either both of them are inadequate or you are.

Choose one of them, make him executive vice president and start breaking him in, or choose someone from outside. If you want continuity in your business, this is not a decision you can postpone until "shortly before you retire." Naturally each would-be victor is ma-

About the author

Robert N. McMurry is a manage- consultant and psychologist with ears of experience in solving busi- problems concerning people. His book, McMurry's Management c *(Simon and Schuster, 1960, 5), contains solutions to scores of non "people problems."*

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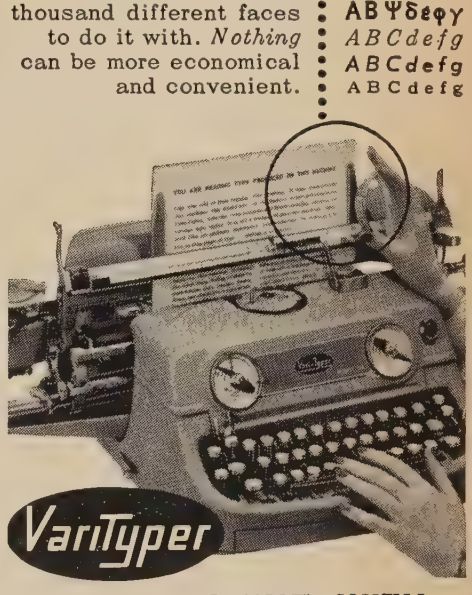

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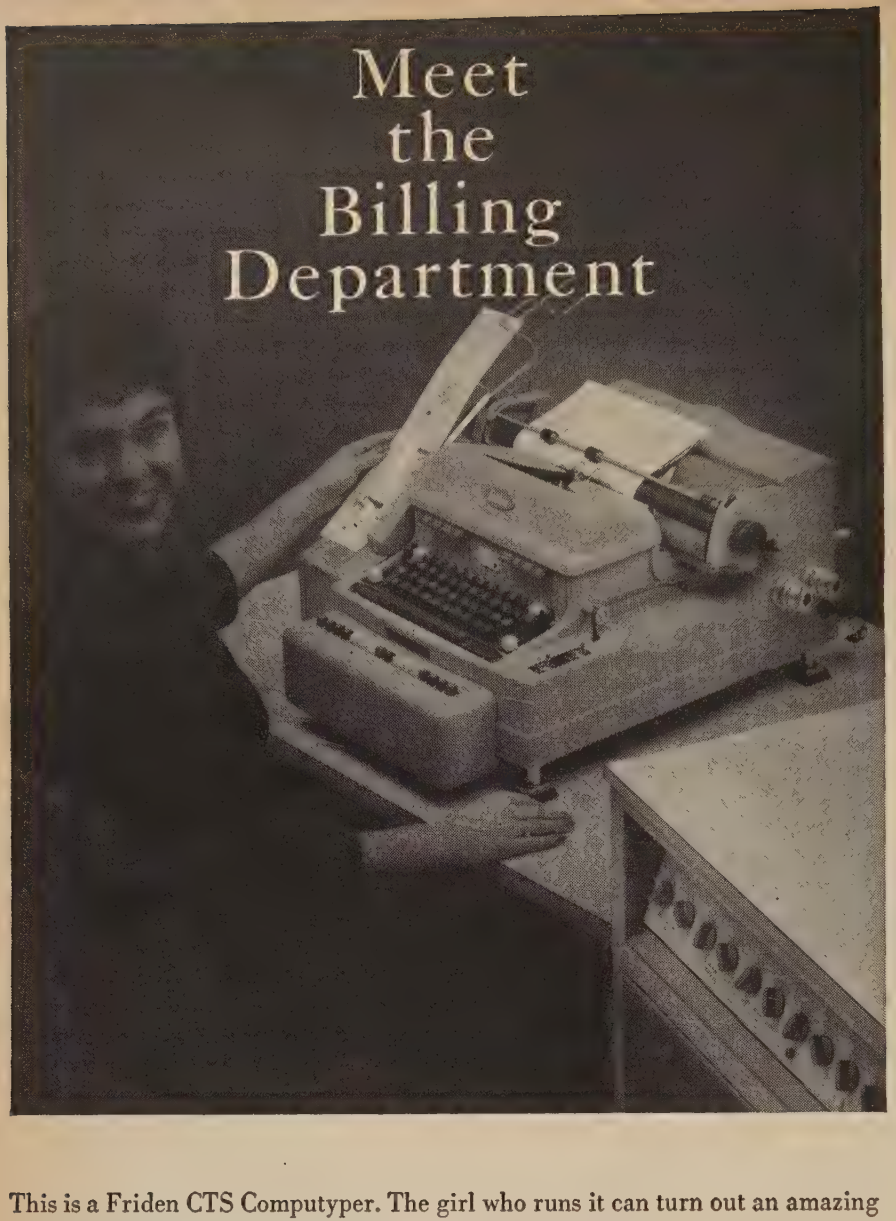

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neuvering, and undoubtedly uncertainty about backing wrong horse is upsetting your w organization.

Making your decision will er the one who is unsuccessful e to fish or cut bait—and will give time to replace him. If you hav go outside, your chosen succe will have time to try to win loyalty of both men (if you ch him now). If this fails with on both, there is still time for him t build the organization with help.

What you have been doing force these two men out c healthy, competitive rivalry dog-eat-dog hostility. It is hi doubtful, now, whether you ever be able to keep them h This is the cost of your indeci and, unfortunately, it hurts on both of them as well as your f

HOW CAN I GET BETTER COLLEGE RECRUITS?

Question: About seven years our firm began to go in heavily recruiting college seniors. W gotten some good men but w also gotten some clinkers.

We try to make our selections curate. We give intelligence t and ask the most promising yo men to come back for more in views. These interviews are fa intensive. Sometimes, we'll invi young man to spend a couple days at our offices. We want hin see our setup, and we want our p ple to meet him. That gives us idea of how he will fit into our ganization. Yet some of the m who look the most promising t out to be the biggest flops. Wh wrong? Are there more specific t we can give? Or do we just hav poor bunch of recruiters?

Answer: Many college yearbo award special titles—such as M Popular, Most Likely to Succeed Handsomest—to various mem of the graduating class. I d know exactly how the editors cide which seniors merit these ti but any editor trying to fill the c gory "Most Charming—and Sm Too!" could certainly use your lection system to find his man.

The only trouble is that you ar using your combination IQ test charm poll for such a frivolous p

pose. You are trying to spot effective future executives for your team. To become a success in business, more is required than a pleasing surface personality and the ability to score creditably on an IQ test.

What more does it take? Unfortunately, there is no stock answer. It takes a *particular* set of characteristics to succeed on a *particular* job with a *particular* company. A young man can be a whiz at one job and a total flop at another—even when the two jobs have the same title and are in the same industry (or even the same company).

So the first thing for you to do is to figure out exactly what jobs you intend to train your college recruits to fill, and what particular characteristics each of these jobs requires. Then send your recruiters out for young men who have *consistently* shown the traits you need.

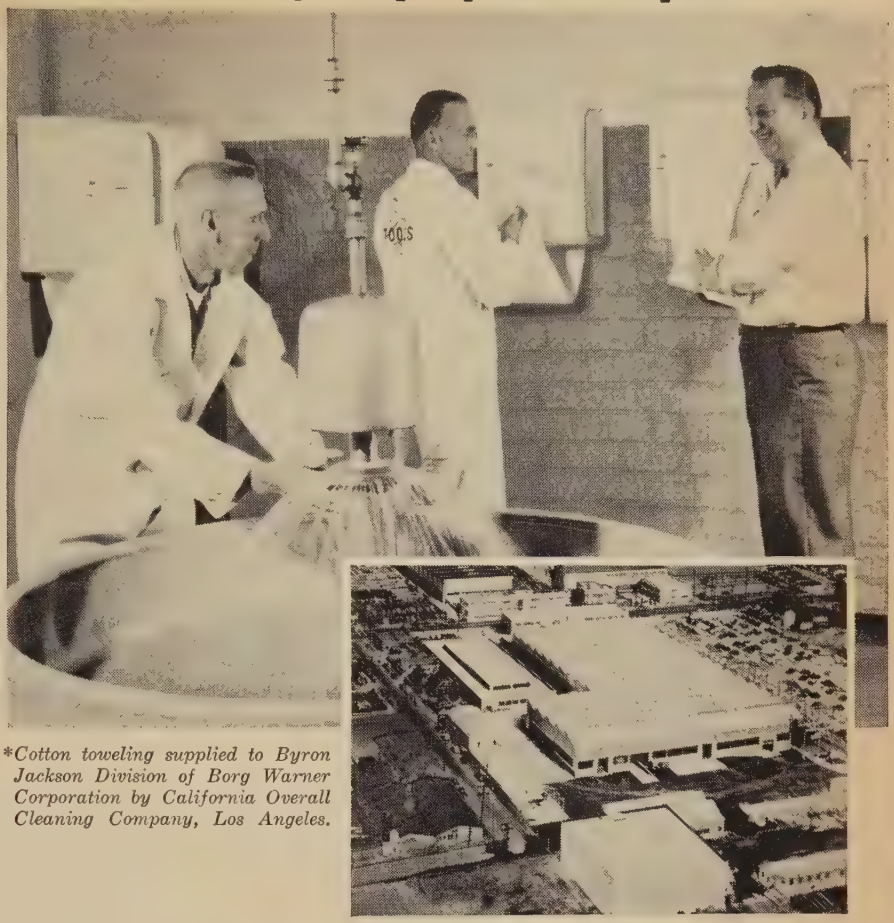
Need a hard worker? Look for men who have always worked hard. Need a man who'll hew to the letter of company policy? Tap a conformist, a "follower-of-the-rules." Need a man who's willing to try new ideas on his own? Then look for the man who has shown more derring-do, but be sure that his judgment has been good, not hairbrained. Let the record of what each man *has done* tell you what you may expect he *will do* on the job.

When you find men who are basically qualified for your jobs, then bring them in to meet your present executives. But limit their visits to those executives with whom they'll be working closely. If the sales manager can't stand a particular sales candidate, there's no point in hiring him: he'll always be behind the eight-ball. But who cares if the treasurer doesn't like him? They won't see much of each other anyhow.

The blackball system has a sensible place in business. It helps to avoid serious superior-subordinate clashes. But by insisting that trainees be all things to all men, you have carried the blackball too far.

And don't try to blame your recruiters for your present mess. After all, they probably know how you hire, so their primary concern has been to find men who could run the gauntlet of all your executives' biases and prejudices. You, not they, are to blame for those intellectual but ineffectual trainees. ■

COTTON* produces big benefits in heavy-equipment plant



*Cotton toweling supplied to Byron Jackson Division of Borg Warner Corporation by California Overall Cleaning Company, Los Angeles.

• One of the world's largest manufacturers of pumps and oil field drilling equipment, the Byron Jackson Division of the Borg Warner Corporation, Vernon, California, employs a thousand people in a plant covering 400,000 square feet of floor space.

Recently, this progressive company installed Fairfax continuous cotton toweling in its washrooms. Savings were immediately apparent—with cotton toweling, the cost of trash removal was reduced substantially. In addition, management was particularly pleased with the improved housekeeping quality index and the corresponding reduction in fire hazard.

Why not look into the advantages of cotton toweling for your operation? For free booklet, write Fairfax, Dept. R-12, 111 West 40th St., New York 18.

Here's How Linen Supply Works...

You buy nothing! Your linen supply dealer furnishes everything at low service cost—cabinets, pickup and delivery, automatic supply of freshly laundered towels and uniforms. Quantities can be increased or decreased on short notice. Just look up LINEN SUPPLY or TOWEL SUPPLY in your classified telephone book.

Clean Cotton Towels...

Sure Sign of Good Management

Fairfax Towels WEST POINT TEXTILES

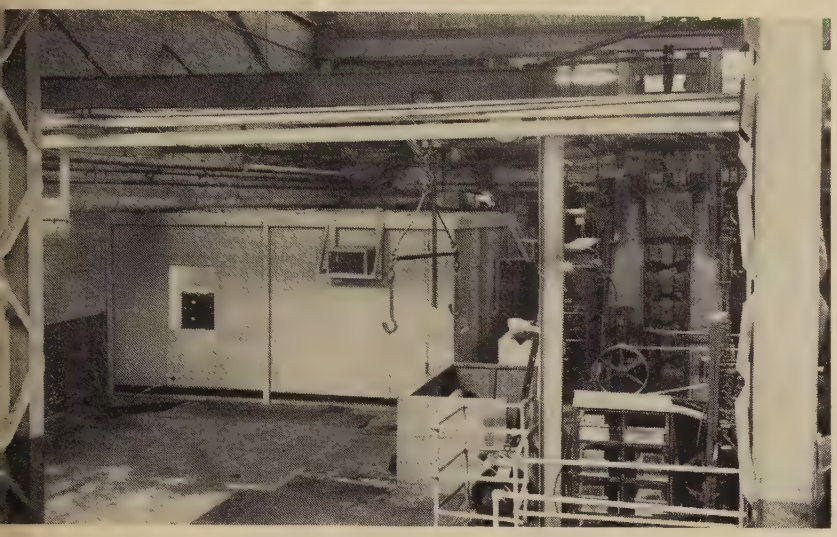
WELLINGTON SEARS COMPANY, 111 WEST 40TH STREET, NEW YORK 18, N.Y.

(Circle number 151 for more information)

The new Royal Electric is one of the most electric machines in business. You may be close to buying it. But before you make your decision, please do yourself, your secretary, and your company this service: see all the makes of electric typewriters. Check them for automation features, for touch, for printwork, for any other quality you wish. Only in this way can you really know the worth of the choice you will make.

(Circle number 143 for more information)

This movable plant office saves time and money



Heat, sound and vibration of plant operations are effectively barred from this three-room office-in-a-plant.

Faced with the need for numerous short plant meetings and increasing desk work by supervisory personnel, Allied Paper Corp. sought a solution to the time wasted walking to conference rooms on another floor or to offices across a busy street.

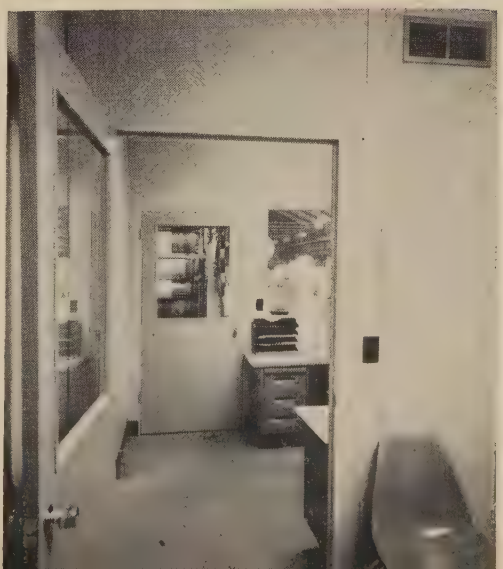
This Kalamazoo paper mill found the answer in an easily dismantled in-the-plant office. Constructed in just three days from sound-retarding partitions made by GR Products, Inc., the three-room office measures 18 by 23 feet with nine-foot ceilings.

Despite the deafening roar of machinery outside, the movable suite furnishes a sound and air conditioned retreat for meetings and paperwork. In fact, Engineering Vice President Herbert Johnson reports the three rooms are in constant use by various groups of supervisors, foremen, employees and the union.

While the superintendent is occupied with desk work, he can still keep an eye on mill operations through windows set in the Soundex partitions.

When machining and work stations are revamped, the low cost office can easily be enlarged or dismantled and set up in another location.

Quiet conference room—13 by 18 feet—is convenient spot for numerous meetings needed in noisy paper mill.



Superintendent can catch up on paperwork in air and sound conditioned office. Picture window gives him view of plant operations.

smart truck users choose

NationaLease

the PREFERRED way to lease trucks

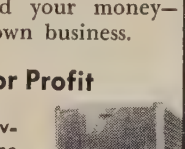
because it's national in experience and service – local in costs and controls

NationaLease supplies everything but the driver at flexible, local-level costs. On-the-spot management provides highest efficiency; full service, one-invoice truckleasing—the LEASE-FOR-PROFIT way.

NationaLease service doesn't add to your cost . . . it saves. Saves the capital and management time you now spend on trucks so you can put yourself—and your money—back into your own business.

Lease for Profit

Lease a new Chevrolet, or other fine truck, operate it as your own with no investment, no up-keep.



For facts about full-service, "Lease-for-Profit" truckleasing — and the name of your local NationaLease firm, write

NATIONAL TRUCK LEASING SYSTEM

Serving Principal Cities of the United States, Canada, and Puerto Rico

23 E. Jackson Blvd., Suite: M-12, Chicago 4, Ill.

(Circle number 128 for more information)

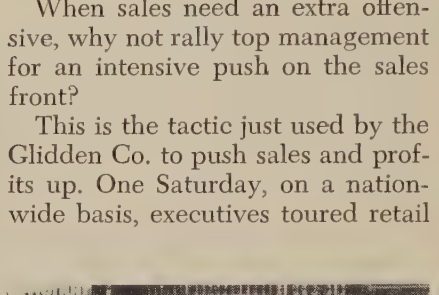
A better way to run a business

Here's a way to

ASSIGN EXECUTIVES TO SALES FIRING LINE

When sales need an extra offensive, why not rally top management for an intensive push on the sales front?

This is the tactic just used by the Glidden Co. to push sales and profits up. One Saturday, on a nationwide basis, executives toured retail outlets where they put on demonstrations of how extra effort can sell more of the company's latex paints.



Even Glidden Chairman Dwight P. Joyce took part in front line sales push.

Idea for the project was to show that business, if plagued by lower profit margins, can be stimulated by extra effort of all hands.

Here's a way to

USE COPYING MACHINES TO EXPEDITE PAPERWORK

Many companies save significant amounts of time and money with a copying machine. It eliminates repetitive writing—even much conventional long form correspondence.

To cite one case, the export department of Harnischfeger Corp. has shaved the 12 minutes needed to answer an average letter to just about a minute by using the "short note" reply system. With this method, the answer is jotted on the bottom of the original letter. A copy is then made in a few seconds on a Thermo-Fax unit. The duplicate is dispatched to the inquirer and the original filed. This streamlined method conserves time for both executives and clerical staff. Added saving: needed file space is cut in half since both original letter and reply are on the same sheet of paper.

Executives jot reply on original letter; machine readies a copy in seconds.

There are even more substantial savings realized in the welding shop of this Milwaukee manufacturer. Thanks to a simplified system utilizing a copying machine, 15 minutes have been cut from the time needed to process each work order. Multiplied by 180 average daily work orders, this amounts to 45 man-hours saved each day. Translated into salary and overhead, this is a $150 saving a day. In other words, the copier paid for itself in the first two days of use.

Here's a way to

RELAY EDP DATA INSTANTLY AT PHONE TOLL RATE

A million dollar saving in paperwork costs will be realized annually with a national telephone link for data transmission between Hardware Mutuals and its 32 branches.

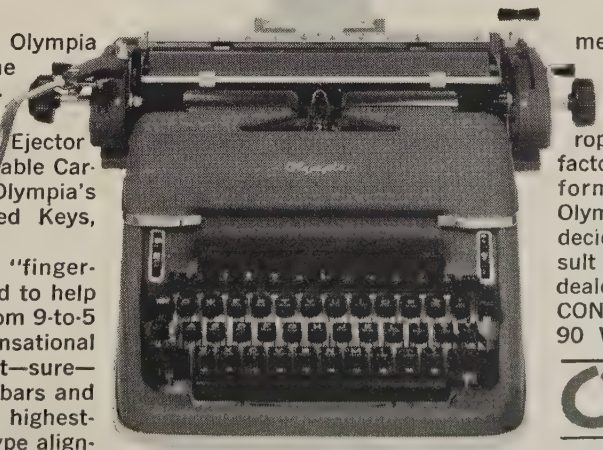
The mass of daily operating data

ANOTHER OUTSTANDING FEATURE OF OLYMPIA OFFICE TYPEWRITERS!

easier — faster — finer typing, Olympia ndard Office Typewriters come y-equipped with the finest ad- nced features—from a time- ing Automatic Paper Injector-Ejector a money-saving Interchangeable Car- ge—all at no extra cost! Take Olympia's lusive Spring-Cushioned Speed Keys, example.

Forty-six, anti-glare, non-slip "finger- m" keytops... spring-cushioned to help p speed and efficiency high from 9-to-5 are the secret of Olympia's sensational ther-light touch! Typing is fast—sure— smooth! And, Olympia's typebars and s are precision-made from the highest- lity steel... assuring perfect type align- ment and crisp, clear-cut imprint always.

All are important reasons why Olympia is the world's finest typewriter to do business with. Precision-built, in Europe's largest, most modern typewriter factory, for easy, quiet, trouble-free performance year after year. Test a new Olympia soon..."on-the-job"... before you decide on any other office typewriter. Consult the Yellow Pages for name of nearest dealer. For more details—write INTERCONTINENTAL TRADING CORPORATION, 90 WEST STREET, NEW YORK 6, N. Y.

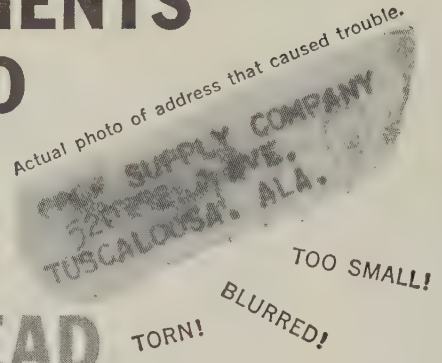


© 1960

Olympia

(Circle number 114 for more information)

MANY SHIPMENTS ARE DELAYED OR LOST... BECAUSE OF HARD-TO-READ ADDRESSES



WHY TAKE CHANCES? MARK THE ADDRESS BIG-CLEAR-PERMANENT-WITH A MARSH STENCIL

Rule 6 Marking Freight reads, "FREIGHT MUST BE STENCILED OR OTHERWISE PLAINLY AND DURABLY MARKED."
(TYPING WON'T DO IT — MARSH STENCILING DOES!)

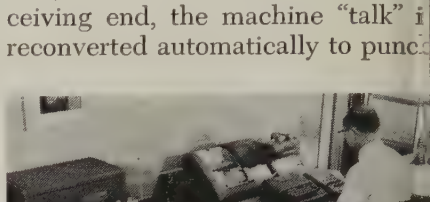
PLAINLY: LARGE AND CLEAR, READABLE FROM 10 FT.
DURABLY: REMAINS CLEAR AFTER REPEATED HANDLING OR WEATHERING

(Circle number 121 for more information)

collected in the field is converted t punch cards. In turn, the card data read by an IBM transceiver, is re layed as sound impulses by Be Data-Phone to Stevens Point, Wisc headquarters over ordinary lon distance lines.

Previously, transmission involve leasing a 24-hour circuit. Now Be Data-Phone permits economica "dial-up" charge only for time ac tually used.

Data can be relayed at top spee of 1,600 words a minute. At the re ceiving end, the machine "talk" i reconverted automatically to punc



Data-Phone transmits punch card data for instant processing by IBM computer

cards and fed into an advanced IBM 7070-1401 computer at the rate of 800 cards a minute.

Printing up to 600 lines a minute the new 1401 computer can ready as many as 50 automobile insurance policy declarations a minute.

If you want complete technical details and applications on this Bell electronic data transmission network system, circle number 220 on the Reader Service Card.

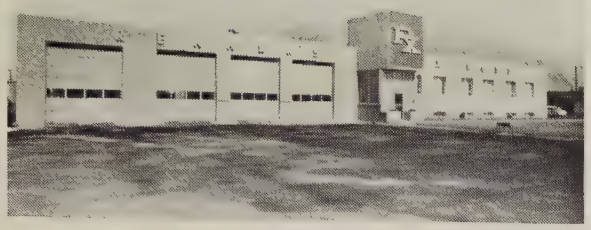
Here's a way to

SIMPLIFY PETTY CASH RECORDING

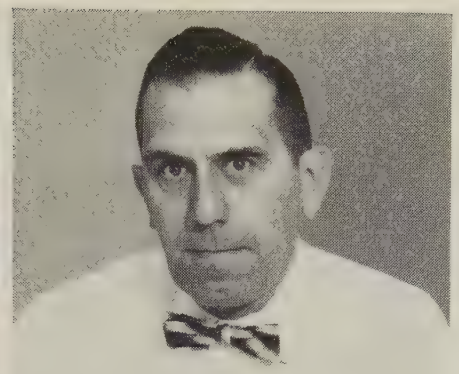
Getting a petty cash advance can involve a lot of time and paperwork. In many firms it entails three separate steps—no matter how small the amount. First, a voucher is filled out for the approximate expenditure; then a detailed expense slip; finally, a reconciliation sheet for the difference between advance and actual outlay.

All this duplicated effort is eliminated at Barnes Engineering Co. with a simple snap-out form designed by Product Sales Manager Paul Bernard.

A single writing records a request for cash on carbon interleaved sheets. The carbon copy is given to the accounting department



EXTERIOR of Renner's Express Inc.



L. J. PFLEGER, ASSISTANT TREASURER, of Renner's Express Inc.

THESE NATIONAL MACHINES manifest 75% more bills with less effort.

"Our *National* Accounting System saves us $7,800 a year... returns 54% annually on investment!"

—Renner's Express Inc.
Indianapolis, Ind.

Our National System paid for itself less than 2 years and that isn't all is efficient system has done for us. "Now our National Accounting ystem is more flexible than our revious method. We use it for prearing everything from Payroll hecks to Accounts Payable. We get ore information than ever before id faster. For example, we process ur payroll at a saving of almost ree days each quarter.

"Our National System has also reuced errors because the many automatic machine features greatly reduce the number of manual operations required by our previous system. Our final totals are more dependable and more accurate.

"Our National System is an extremely sound investment. Each year it saves us $7,800, an annual return on investment of 54%!"

L. J. Pfleger

Assistant Treasurer
Renner's Express Inc.

Your business, too, can benefit from the many time- and money-saving features of a National System. Nationals pay for themselves quickly through savings, then continue to return you a regular yearly profit. National's world-wide service organization will protect this profit. Ask us about the National Maintenance Plan. (See the yellow pages in your phone book.)

HE NATIONAL CASH REGISTER COMPANY, Dayton 9, Ohio

039 OFFICES IN 121 COUNTRIES • 76 YEARS OF HELPING BUSINESS SAVE MONEY

(Circle number 126 for more information)

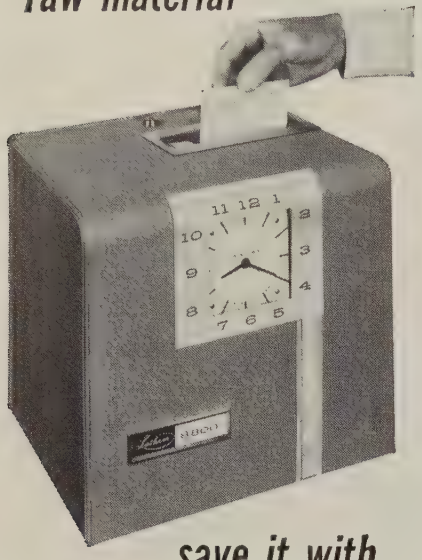
*TRADE MARK REG. U. S. PAT. OFF.

National*

ACCOUNTING MACHINES
ADDING MACHINES • CASH REGISTERS
ELECTRONIC DATA PROCESSING
NCR PAPER (NO CARBON REQUIRED)

time

your most valuable raw material



save it with the fully automatic...

Lathem 8800

time recorder

On the job in your organization, the Lathem 8800 Time Recorder can minimize the tardiness that can cost you hundreds of dollars annually . . . eliminate disputes since every man is his own timekeeper . . . and provide accurate records.

Accurately, time is registered the instant the time card is inserted . . . in two colors and correctly positioned, with IN and OUT separated in two columns. Impossible to overprint. Yet this completely automatic 8800 Time Recorder is priced within the range of typewriters.
Send today for full details.

LATHEM

LATHEM TIME RECORDER CO.
98 Third Street, N.W., Atlanta, Ga.

GENTLEMEN:
Without obligation, please send me full information, including prices, about the completely automatic 8800 Time Recorder.

NAME_____
COMPANY_____
STREET_____
CITY_____ ZONE___ STATE____

(Circle number 118 for more information)

as a temporary record to get the advance.

After the individual has made the expenditure, he records the details and amounts on the original, indicating at the bottom of the form whether he has spent more or less than the advance. Then he turns the completed original form over to the accounting department. At that time, he either returns the surplus cash or receives the difference due him between advance and actual outlay.

Thus, on a single page, the company has a complete record of the petty cash transaction—in one writing with only one paper file.

Here's a way to

USE FORK LIFT TRUCK AS RECREATION DEVICE

Sportsminded employees at a midwestern machine tool manufacturer have dreamed up a novel use for their Moto-Truc fork lift truck.

They attached a regulation basketball hoop and backboard to a sturdy sleeve. This neatly fits over

Fork lift truck doubles in brass for lunchtime basketball games.

the fork of the lift truck which can be raised to regulation basketball height. During lunch hour the fork truck is parked in a paved area outside the plant and positioned so workers can practice shots.

When it's time to go back to work, the basketball sleeve is easily removed from the fork lift.

THE
PENNSYLVANIA PLAN:
100% financing
for your new plant

Complete financing for Lease-Purchase of a new plant is available in labor-surplus areas of Pennsylvania through combined efforts of lending institutions, non-profit community organizations and the Pennsylvania Industrial Development Authority. Interest as low as 2%, with deferred amortization, can be applied on up to one-half of total plant cost.

100% financing is also available in other areas of the State, provided by community organizations, banks, insurance companies and other sources. You select the community you want. You specify plant construction details or choose one of several plant "shells" now being readied for completion.

100% Financing at a Glance . . . Industrial Plant Construction Costs—

Subscribed by local non-profit community sponsored builder-owner corporations.	*20%*
2nd Mortgage Loan, Pennsylvania Industrial Development Authority.	*30%*
1st Mortgage Loan obtained from banks, insurance companies and similar lending institutions.	*50%*
Total financing, secured through local subscriptions and mortgage loans, without cash investment by the manufacturer.	*100%*

For free copy of "Plant Location Services" pamphlet, or for details on 100% financing, write or call:

Pennsylvania Department of Commerce
South Office Building
1011 State Street, Harrisburg, Pa.
Phone: CEdar 4-2912

(Circle number 154 for more information)

CONTROL AT AMERICAN PRESIDENT

James D. Short, Supervisor of Tabulating, American President Lines

We did away with 300,000 postings!"

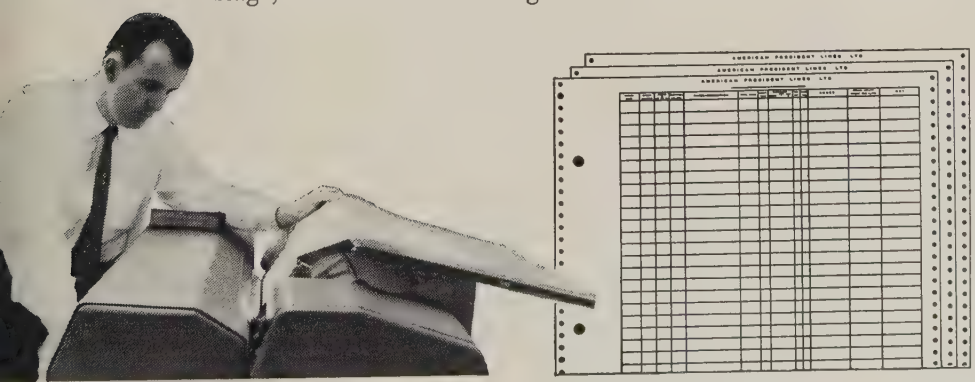
THE SETTING: American President Lines operates 30 cargoliners and 5 passenger liners. To make up voyage revenue and budget reports, the company collects and sifts mountains of data from scattered ports all over the world.

Reservations from 18 offices, 30 principal agents and thousands of travel agencies funnel into San Francisco headquarters every 24 hours. Facts in foreign weights, measures and currencies are converted to U. S. equivalents, summarized, and printed. The system also produces many other important reports.

THE SYSTEM: Data received is put on punched cards. An electronic accounting machine processes the cards, converting to U. S. standards, and prints the information on a daily summary sheet, an interim revenue report. This is revised daily as new figures come in and, in its final stage, is the final accounting.

After a ship has sailed, more incoming data is carded and radioed to sea. After a 120-day cruise, a budget report is run off, summarizing the vessel's performance—estimated vs. actual. A final budget report compiled in 10 days, as against 8 man-months, is the basis of management decisions on cargo matters, revenue volume, receipts and expenses, equipment needs, etc. The system speed-up resulted largely from eliminating 300,000 tedious manual postings a year—a crucial operating gain. The Moore forms in the system are the Line's control in print.

THE COUNSELORS: "We appreciate the system control and the help in forms design which the Moore man gave us," says James D. Short, Supervisor of Tabulating. For more details on how Moore may be able to help with *your* problems—no matter what kind or size of business—write the nearest Moore office. No obligation, of course.



MOORE BUSINESS FORMS, INC.
Niagara Falls, N. Y. • Denton, Texas
Emeryville, Calif. • Over 300 offices and factories throughout the U. S., Canada, Mexico, Cuba, Caribbean and Central America.

MOORE®

uild control with

MOORE BUSINESS FORMS

(Circle number 124 for more information)

How to fatten your sale

Whatever you sell, mail can help you sell more. Your list of custom is a priceless steppingstone to big mail sales. Customers have boug from you once. They will again, if you know how to approach the Here, a direct mail expert tells how to use your customer list profitab

by Elsworth S. Howell

President, Grolier Enterprises, Inc., New York

Elsworth Howell established the first mail order division for The Grolier Society, Inc. in 1939. Grolier was the first encyclopedia publisher to set up a mail order operation to develop additional sales from its customer list. Under Howell's supervision, the mail order division became a pioneer in the sale of unrelated merchandise to people who had originally bought its books.

Raised to vice president in 1947, Howell became a director of the corporation in 1955. He is now president of Grolier Enterprises, Inc. and Grolier Inc.'s five mail order divisions in the U. S. and Canada.

This article is adapted from his booklet, "House Lists . . . your greatest asset," published and copyrighted by Planned Circulation, New York. The booklet is one of a series on The Function of Mailing Lists in Direct Mail Advertising. *Planned Circulation, 19 W. 44th St., New York 36, will send —free—any of the booklets in the series to anyone who requests them.*

If you think your firm can't boost its sales with direct mail, you're wrong.

Any firm, regardless of size or product, can measurably increase its sales and profits with the right mailing technique. Handled properly, mail is a highly effective, highly profitable sales tool. And it's low in cost.

When direct mail is mentioned, there usually are two objections.

1. "I can't sell my product by mail." It would be laughable for a heavy machinery manufacturer to try to sell his product by mail on a five-day, free trial basis. But he doesn't have to. Mail is not only used to create orders. It is also used to create sales opportunities.

For instance, many firms use direct mail to produce inquiries, develop prospects and find sales leads.

2. "Most third class mail is junk and is usually thrown away." This isn't so. The fact is, most people like to get mail. It may seem sophisticated to say that all third class mail goes into the wastebasket unread. But practically every user of direct mail advertising has hundreds of case histories to prove that this claim is simply not true.

Still skeptical? Try to remember how many pieces of mail you have thrown away completely unread. Chances are you haven't thrown very many away without at least seeing what they were about.

There are several things you should know before you can use the mails profitably. For instance:

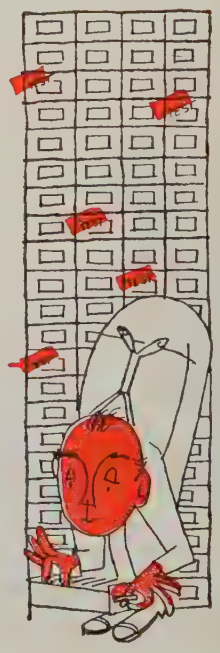
- Know how to build a mailing list.
- Know your customer.
- Know how to take risks out of offer with test mailings.
- Know how to rent, or exchan your list for extra income.
- Know how to handle collectio
- Know how to update the lis

Digest the following sectio Chances are you'll come up w several ideas on how to prod more profit for your firm with m

Build a strong list

There's only one ingredient o profitable mailing list: custom who will buy what you offer.

TEST CAREFULLY



by mail

To build a profitable list, bear in ind that the nature of your offer d the mailing pieces you use will etermine the kind of customer ou will get. They can also have a rect bearing on what additional oducts or services you can sell m after receiving his initial order. For instance, a "free" offer, a very w price or high powered copy ay get you a low grade customer. his does not mean that such de- ces have no place in certain ases of a direct mail selling pro- am. They do. But remember that ere are lots of freeloaders, curi- ity seekers and deadbeats who ip coupons and return order cards ith no intention of buying or pay- g.

rofile customers

To sell effectively, you have to ow your customer. Get a con- ete picture of him. That way, u'll be able to appeal directly to m.

Consider this case, for example. Grolier, Inc., a firm which sells encyclopedias, practical books and functional products by mail, developed a profile of its typical customer.

He lives in a city with a population of 25,000 or more. He has graduated from high school and earns over $5,000 a year. He has two or more children. He makes his living with his hands (machinist, plumber, electrician, crane operator, etc.).

In most cases, Grolier's customers are blue collar workers who want their children to be white collar. That's why they buy encyclopedias. They like practical things. That's why they buy cook books, atlases, home repair guides and informational works. They want merchandise which fulfills a home need. That's why they buy window fans, power tools, sewing machines, dinnerware, towels and sheets from Grolier's general merchandise catalog.

In other words, Grolier's mailing list includes only present customers or definite prospects.

Grolier's customer profile performs two functions. It tells who the customer is and what he is like. And so Grolier knows what to offer him, and how to make the offer. It also acts as a "screen" for mailing list prospects. If prospects don't come reasonably close to the kind of people Grolier sells to, Grolier doesn't waste time and money including them on the list.

If different types of offers produce different kinds of customers for you, it may be advisable to break your list down into different classifications, or "profiles."

For example, a customer who purchased an adult item may not be a prospect for a child's book club. His children may be too old—or he may have none.

Active house lists

Whom should you include on your active mailing lists? Paying customers only? People who have inquired, but never bought? Prospects who "fit" the profile, but have never responded?

Experience shows it is profitable to keep three kinds of house lists up-to-date.

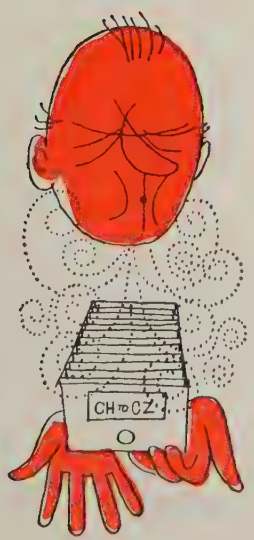
1. List of mail order buyers—people who have ordered and paid for your product or service by mail. This is the most profitable list.

2. List of people who have bought through your agents or stores. This is the second best list.

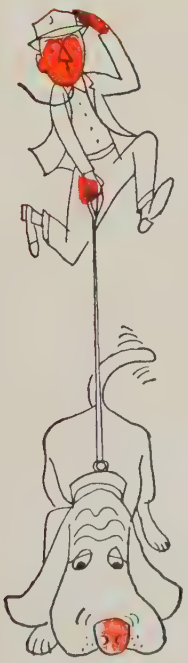
3. List of people who have inquired, but never bought. This is third best.

continued on page 72

KEEP 'EM UP TO DATE



USE FORM 3547



Prospects who don't answer after repeated tries are not worth keeping on any mailing list.

What's a prospect worth?

The person who eventually ends up on your active house list represents a source of additional sales. That's why you may want to spend some extra money to get him in the first place. The question is, how much?

Obviously, there is no fixed formula for determining how much you should spend to find customers.

But here is one simple procedure you can use to find out. Determine the volume of additional sales you can reasonably expect from a new customer. That will tell you one of three things: one, whether you require a profit on the first order; two, whether you can break even; or three, whether you can afford to lose money.

For instance, a magazine publisher may find that he can operate in the red on the initial sale (a new subscription). He knows that his repeat business (renewals) will absorb the initial loss and show a profit. The same could be true for other companies that make goods with a built-in repeat order potential. Calendars and diaries become obsolete. Automobile cleaning cloths deteriorate.

Must you show a profit on the first order? Or can you stand a loss? Keep an accurate record of your costs, mail response and income. In a short time, you'll be able to forecast income from repeat business.

In line with costs, here's another question: should you keep your mailing list on cards or stencils? The answer depends on two things. How often do you use the list? Is the rate of turnover fast or slow?

Get them to spend more

Give a customer a special "break" and you're well on your way to his wallet.

Grolier offers special deals to good customers. Since their credit has been established through previous purchases, the firm offers different products to those people on a free trial, send no money basis. Installment terms are available on items of $5 or more.

When costs permit, Grolier gives customers a reduced price on certain items. For the long pull, a money saving appeal is the best year-in, year-out sales producer the company has found.

Some firms, unable to grant big discounts, offer premiums. For example, one company reported doubled results on an address label offer when it gave away a key ring and baggage tag.

The wrong premium can hurt. Grolier offered a pocket sewing kit free with the purchase of a sewing book. This brought less response than an offer of the book without any premium. The right gift can be as important as the choice of the item you are selling.

Grolier is in the mails all year round, with an offer every three weeks. The company beats its normally poor months of April, May and June with seasonal items. It offers power tools in April when a man gets the urge to fix up the place. People go for window fans in May, anticipating a hot spell.

Constant mailings plus the right offer can tighten up any company's slack season.

Test thoroughly

Grolier tests every offer it makes on a statistical cross-section of its house lists.

Here's how the company gets a good sample for its test mailings. If the test mailing runs 10% of a list stored in 100 trays, the firm pulls out every tenth tray, not 10 consecutive trays.

To validate test results, Grolier finds that a total of 100 orders received is safer than any arbitrarily fixed percentage of the list or size of the test.

To illustrate, Grolier first determines the number of orders needed per thousand to make a mailing payout. Then, it tests as many thousands as are necessary to produce 100 orders on this basis. If the company needs 10 orders per thousand, it tests 10,000 names; 20 orders, 5,000 names; 50 orders, 2,000. Using its lists and its cross-section method, Grolier reports this 100-order formula is almost foolproof.

Any company can work out its own formula on the "orders needed per thousand names" basis.

Which mailings work?

The most consistently effective mailing consists of a letter, circular, order form and covering envelope.

Here are some experiences Gr lier has had.

- A combination letter and circ lar did not justify its economy terms of results.
- Omission of a circular in a bo offer cut returns in half.
- A tear-off order form printed the letter produced 25% fewer r turns in a test against a separa order form.
- Blind imprints, or a compa name unfamiliar to customers, r duced results by 50%.
- Sales have dropped every tir more than one item was offered a mailing. However, offering th choice of a better model of the sam item—a deluxe edition of a boo for instance—may increase dolla sales.

Create more customers

Present customers can find ne customers for you.

Many book clubs use the "mem ber-get-a-member" method, offe ing members a gift for bringing a new member.

The same technique, without th gift, is the "hand-this-card-to-a friend" request. Many companie include this request card as an e tra order form when they send ou a regular offer, or a shipment, to present customer. One firm repor this method produced a 10% sup plemental sale on a $15 music boo

But usually it's best to includ only one offer in a mailing. You ca send out additional offers in bills c correspondence.

Rent list for profit

If your carefully created hous list works for you, it will probabl work for others. There are man noncompetitive companies who wi pay for the use of your list. Reve nue from renting your list can co tribute substantially to your profit with little cost or effort on you part.

Consider exchanging your li with those of other companies. It a good way to get names that migh not otherwise be available. Ther is a growing trend toward such e changes between noncompetitiv houses.

Whether you should rent or e change your list depends on th timing and frequency of your ma ings. Since Grolier's mailings ave age once every three weeks, rent

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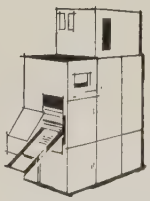


Learn how companies in every type of business are putting xerography to work. Write to HALOID XEROX INC., 60-197X Haloid Street, Rochester 3, New York. Branch offices in principal U.S. and Canadian cities. *Overseas:* Rank-Xerox Ltd., London.

HALOID XEROX

(Circle number 159 for more information)

of the list to outside users is impractical. Other firms with less frequent mailings find list rentals profitable and report no adverse effects.

Mailing list brokers, such as Planned Circulation, New York, can help you with details on renting or exchanging lists.

How to handle collections

It will pay to keep complaint and adjustment policies liberal.

Grolier answers every letter that conceivably requires a reply. If a customer says that he did not receive a shipment or that he returned it, the firm takes him at his word.

Gentle collection letters often work better than harsh ones. Says one experienced mail order executive, "We use collection agencies sparingly. In most cases, the long-term goodwill lost through drastic collection methods will cost us more than the dollars such agencies may collect."

Keep your list clean

Customers move—constantly. One firm reports that between 16% and 20% of its list changes addresses annually.

The post office can help you ke your list current. When you pr the words, "FORM 3547 F QUESTED" in the lower left c ner of the address side of your m here's what the post office will

1. If the addressee has moved another local address, the mail w be forwarded. You will receive t old address, and key number y use to identify your list, and t new address on form 3547. T charge is five cents per notice.

2. If he has moved to anoth post office and you guarantee f warding postage (or if the mail to be forwarded because of its o vious value) the mail will be se on. You will receive the same formation as above.

3. If he has moved to anoth post office and you do not guara tee forwarding postage, or if t new address is not known, this formation will be shown on t mailing piece sent back to you. Y will be charged for return posta at the single piece rate.

Tips to remember

For firms that depend heavily direct mail selling, it's a good id to keep a copy of the mailing list microfilm. Store it in a safe pla Should fire or catastrophe ever d stroy the original list, the fi would not be out of business.

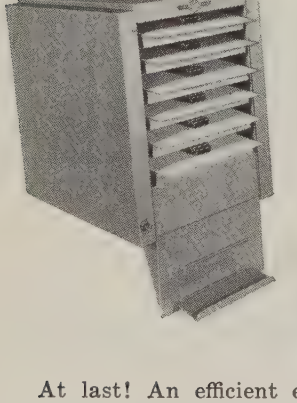
It might be worthwhile to ke your list arranged by year of fi purchase. You may want to we out people who, after a period time, have failed to reorder. Th are no longer good prospects.

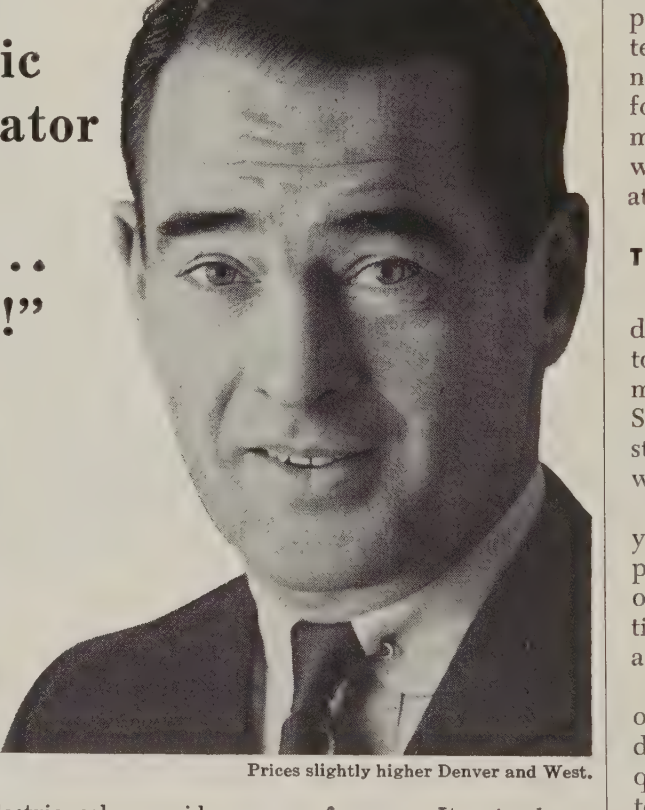
How long you keep a custom on your list before you drop h depends on such factors as f quency of mailing, cost of list mai tenance, and, obviously, respons Most mail order houses remo names that have not respond within one to three years. Occasio ally, however, a "hot" offer m pull well on older names if a dresses have been kept up-to-da

Customers have responded your previous sales messages a products. They have proved th responsibility as buyers.

It therefore follows that yo customer list can produce a hig percentage of mail sales at a lo cost per order and at less risk th any outside mailing list you m rent or buy. ■

"new electric Thomas Collator saves office time.. Cost? $149.50!"





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At last! An efficient electric collator with desk-top convenience and portability . . . at a price every office can afford!

With the new Thomas *Gatherette* Collator, assembling of duplicated sheets into sets becomes a cost-cutting, one-person assignment. No more hand-gathering teams, no more time waste, no more drudge!

Effortlessly, the *Gatherette* handles standard 8½" x 11" sheets in a wide range of paper. Its simple operation means efficient use by any secretary or clerk.

Ask yourself one question. Does *your* office put together duplicated sheets into reports, catalogs or multi-page literature? Yes? Then find out why the money invested in a *Gatherette* is the smartest $149.50 ever spent! Have the Thomas people set up a demonstration at your convenience without obligation.

Thomas Collators Inc.

100 Church Street, Dept. D1, New York 7, N. Y.

(Circle number 146 for more information)

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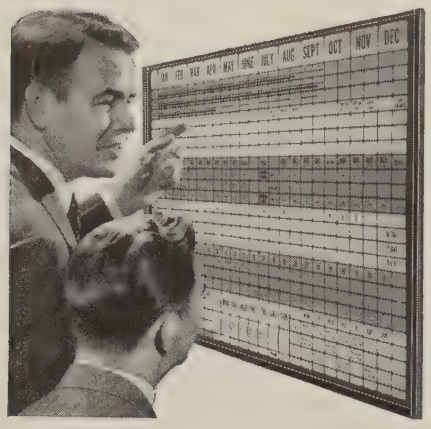

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New Products

FOR THE MANAGER AND HIS STAFF

MARKETING AID

Metropolitan neighborhood Buying Power Maps introduced

A new type of map to help pinpoint national sales pushes at the neighborhood level has been devised by Sanborn Map Co.

This map innovation should simplify market research, outlet distribution and product promotion.

Each map graphically portrays the relative buying power within recognized metropolitan areas throughout the United States.

Each 17 by 22-inch map unit, scaled one inch to 4,000 feet, covers an area of 12 by 15 miles. Each is color coded to indicate five different classes of net income per household.

For a sample Sanborn Buying Power Map and further details, circle number 224 on the Reader Service Card.

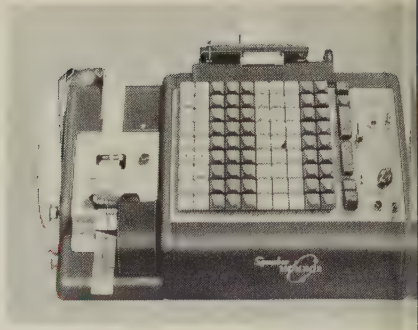
ACCOUNTING

New data originator speeds accounting procedures

First of its kind, a universal source data originator, designed expressly for data processing in accounting, has been developed by Monroe Calculating Machine Co., Inc.

Compatible with all service bureau data processors, the Synchro-Monroe accountant's program machine records data on punched tape. Tapes are then processed at bureaus and printed records returned to the user.

The machine features automatic repetition of all code information



Monroe portable accountant's machi universalizes source data originatic

eliminating need to re-index repe tive reference numbers. Five n serve codes can be utilized as sy tems are updated.

For further details on th punched tape adding machine, c cle number 246 on the Reader Ser ice Card.

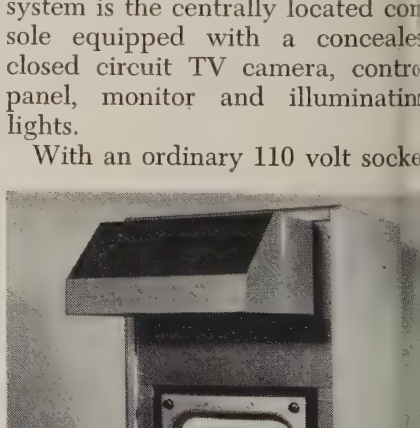
MANAGEMENT TOOLS

New visual intercom system has many business applications

Here is a practical device to pr vide instantaneous transfer of visu data to any number of TV scree located throughout a plant or offic

It's called the Visual Data Co sole by its developer, Dage Telev sion Division, Thompson Ram Wooldridge, Inc. The heart of th system is the centrally located co sole equipped with a conceale closed circuit TV camera, contr panel, monitor and illuminatin lights.

With an ordinary 110 volt socke



With Visual Data Console, records c be flashed to remote TV monitor

r power and connecting cables to onitors, the set is ready to use at e flick of a switch.

Data is requested by intercom or hone. The operator places the de-ed record or chart in front of the nsole which instantly relays it to e inquirer's TV monitor. The unit ill transmit drawings, blueprints, dger sheets, checks and other ata.

Benefits of the visual data trans-ission system include immediate ailability of up-to-date data even remote areas, efficient mainte-ance of records in one location, imination of chance for error in ansferring data from originals.

For complete details on this Dage sual communications system, cir-e number 244 on the Reader Serv-e Card.

PAPERWORK

ven photographs can be copied n new Electro-Stat unit

Electronic photography em-oyed in the new Apeco Electro-at machine produces a low cost,

peco announces first compact copier ing electrophotographic process.

gh quality copy of any document a few seconds.

It faithfully reproduces halftones, lids and colored material, as well conventional correspondence.

Copies emerge completely dry at e rate of five a minute. Cost per py is only 3½ cents.

One important feature is that ch Electro-Stat copy can serve as offset master which, in turn, can oduce up to 200 copies for one-th of a cent each.

Low cost per copy can quickly

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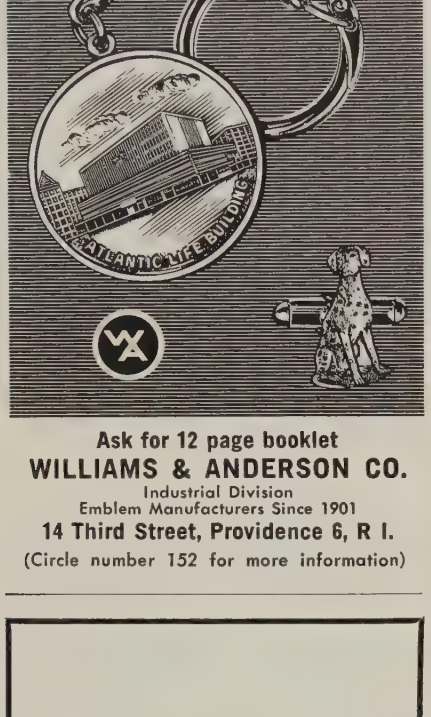

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(Circle number 152 for more information)

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For further details, see page 79.

amortize the purchase price of $1,495 for many users. The new 18 by 22 inch unit can be leased for about $40 a month.

For complete details on this Electro-Stat made by American Photocopy Equipment Co., circle number 223 on the Reader Service Card.

COPYING EQUIPMENT

Single action control photocopier introduced

An all-purpose photocopier, the Contourmatic Mark III, has been announced by F. G. Ludwig, Inc.

Lightweight and compact, the new unit will accept extra wide pages—up to 12 inches—by any length. It can handle card stock,

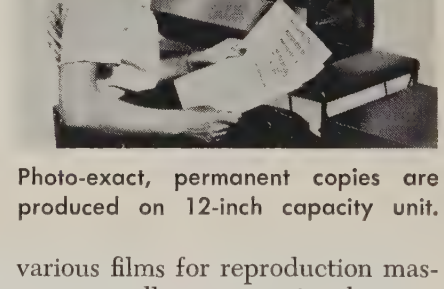


Photo-exact, permanent copies are produced on 12-inch capacity unit.

various films for reproduction masters, as well as conventional paper.

The machine produces black on white copies of any mark on paper, including ballpoint pen, colored inks, crayons, spirit duplication and rubber stamped copy.

Exclusive Seal-Pak, a disposable container, eliminates all chemical handling. A handy front lever activates the entire copying process.

For more details on this 22-pound copier, circle number 243 on the Reader Service Card.

DICTATION EQUIPMENT

No tape threading needed on new magazine loading recorder

Simplicity of operation keynotes the new Norelco 75 dictating machine. Five controls handle all functions—record, playback, rapid review, fast forward and reve start, stop and volume.

Magazine loading feature penses with the time and trouble threading tape. A flick of a mic

Portable Norelco has micropho switch for recording telephone cc

phone switch allows immediate cording of phone conversations.

A two-digit counter permits ra location of any portion of dictati A quick-erase mechanism read the tape for re-use.

Priced at $189.50, the Norelco comes complete with loaded mag zine, log pad and dust cover, pl a choice of either transcribing dictating accessories.

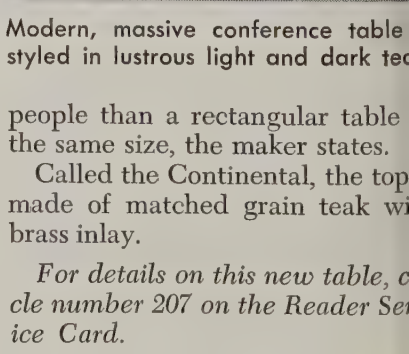
If you'd like more details on t new tape recorder, circle numb 237 on the Reader Service Card.

OFFICE FURNITURE

New boat shaped table seats more conferees comfortably

A contemporary conference tab imposing in design, has been intr duced by Carlton-Surrey, Inc.

Fourteen feet in length, its bo shape accommodates four mo



Modern, massive conference table styled in lustrous light and dark te

people than a rectangular table the same size, the maker states.

Called the Continental, the top made of matched grain teak wi brass inlay.

For details on this new table, c cle number 207 on the Reader Se ice Card.

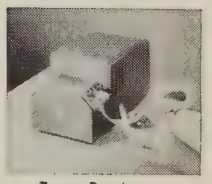
Teletype machines help cut costly paperwork

A Teletype machine equipped with a simple sprocket-feed mechanism can handle multi-carbon forms as readily as the more familiar plain paper on which messages are transmitted. Thus distances can be bridged not only with information, but with information that is preprocessed, ready to go to work.

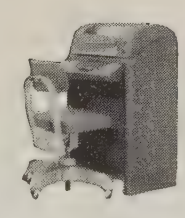
Teletype printers handle a wide variety of multi-copy forms. Moreover, the usefulness of this technique can be further extended with Teletype tape punching and reading equipment—which can capture, store and utilize repetitive data to further mechanize paperwork procedures.

Teletype Corporation manufactures this equipment for the Bell System and others who require the finest in data communications equipment.

Typing Tape Punch



Tape Reader



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(Circle number 158 for more information)

Growing business abroad

continued from page 46

business is going to be done, these costs are not important when viewed from the perspective of the profits that can be accumulated. Furthermore, our organization has been put together to help small firms operate foreign base corporations economically. We can locate and provide employees, as well as officers, and directors for the foreign base company.

Q. Are these completely qualified officers and directors, and completely qualified employees?

A. Absolutely. We provide this service to a number of clients.

Q. The officers and directors you refer to are likely to be officers and directors of quite a number of different corporations, aren't they?

A. Sometimes this is true. But, depending on the nature and needs of the company, we will locate specialists who can provide extra service and extra value. This extends, incidentally, also to the field of accounting and documentation. Our staff will handle the paperwork.

Q. What kind of companies are receiving this service from you now?

A. Some are trading companies; some are holding companies—holding licenses or patents; some are companies which hold stock in still other companies.

For instance, suppose the ABC Company has five manufacturing subsidiaries, each in a different country. If earnings from these subsidiaries come back to the parent concern in the U. S., they are taxable as income. But if these five plants are owned by a foreign base corporation, the dividends go to that corporation and are not taxable in a country such as Panama.

Q. What about the possibility that Panama or Switzerland might suddenly change its mind about its tax policies, and decide to tax these foreign base corporations on the basis of their income?

A. This is a possibility, but it's very unlikely. Furthermore, you could always move your subsidiary to another suitable country where you would probably be welcomed with open arms.

In Panama, the pertinent tax laws have been in existence since 1927. These laws have not bee modified or altered since then, e cept in 1945, I believe, when the were liberalized and clarified.

Q. What about the political stabi ity of, say, Panama?

A. This is a matter worthy of con sideration but it is not a problem A subsidiary in Panama will be holding company primarily. You don't have much of an investmen there *per se.* Your investment flexible. For instance, if you accum ulate funds in Panama, you don have to bank those funds in Pan ama. So Panama could not possibl confiscate these funds. Even i Panama decided to nationalize al American subsidiaries, the gai would be small—and the loss to th Republic of Panama would b great.

It's not like the situation in Cub where American businessmen ha investments in bricks and mortar Holdings in Panama are mostl on paper, with some exceptions.

Q. Let's get back to the situation where the foreign base corporation serves as sales agent for a produc shipped from the U. S. direct t another country.

"Political situation? Well, holdings in Panama are mostly on paper, with some exceptions. It's not like Cuba where U. S. firms had investments in bricks and mortar."

A. Well, the sales commission is tax free. From this commission must come the cost of operating the foreign base corporation, as well as the sales costs outside the U. S. But this gives considerable substance to the foreign base corporation, because all of the sale activity is handled by it. Under these circumstances, the parent company in the U. S. is in a position to justify a very substantial commission because it does no work here other than manufacture. It has no sales overhead to charge to this particular sale. The company has only the actual production costs to recover.

Q. Couldn't the Internal Revenue question the size of such a sales commission?

A. Experienced legal counsel can give you advice on what level of commission will be acceptable. Your arrangement is then subject to review by the Internal Revenue Service at some subsequent time. There are cases where commissions have been disallowed, and there are cases where the company has been able to show that the contribution of its foreign base corporation, as a selling agent, fully justifies the commission which is being made.

Q. Is there any other way to use a foreign base corporation?

A. There is another procedure known as a triangular indent. There the foreign base corporation takes title to the merchandise in the U. S. and, as a foreign corporation, shifts it from the U. S. to, say, England, and receives the proceeds in Panama. This procedure is relatively widely used.

Q. What do you do with the money that begins to accumulate in your foreign base corporation?

A. Based upon our experience, most American firms have a specific purpose in mind for the accumulated funds outside of the U. S. Usually it's for the expansion of their own business. However there are all sorts of short term investment opportunities outside the U. S. You can put profits into various countries and take various risks as far as devaluation of currencies or exchange rates are con-

If you're going to do it . . .

Do it now

If you want to get into foreign markets, you'd better do it now—or at least start planning to do it now.

That's the advice of many experienced observers of the world business picture.

"Today it is relatively easy for a company to establish itself in some of the growing markets of Europe," says Dr. Dennis Riley, president of Intertechnical Consultants, Inc. in Geneva, Switzerland. "But before too much longer, competition in these rich markets will begin to close the door. As time passes it will become harder and more costly for Americans to establish a footing in Europe."

Why are American firms rushing to expand overseas? For some companies, foreign expansion is a competitive necessity.

These companies can foresee a time when their domestic growth could be slowed, or leveled off completely. They are moving into the big, growing markets outside the U.S. in order to insure themselves against the loss of the strength which healthy growth provides.

Companies of all sizes and types can profit in foreign markets. Dramatic evidence of the profits to be earned can be seen in reports from some well known American corporations.

- Gillette Co. reports that in two of the last three years, its combined U.S. and Canadian profits were overshadowed by profits the company earned in other nations.

- Chairman Thomas M. Evans of the Crane Co. (plumbing equipment) reports that in recent years his company has earned most of its profits outside the U.S.

- Both Schering Corp. and Chas. Pfizer & Co., Inc. report that last year they received more than 40% of their earnings from foreign operations.

- Colgate-Palmolive Co. last year had sales in foreign markets totaling $296 million, up $33.7 million from the year before. Domestic sales were lower: $286 million, up only $14.2 from 1958. The company's foreign earnings were $16 million; domestic earnings were $9 million.

The same kind of comparison holds for many smaller firms. In fact, McKinsey & Co., a major management consultant firm, surveyed 40 U.S. companies with foreign operations and got this finding:

Ninety-five percent earned a higher percentage on their foreign investments than on their domestic investments. In about a third of the cases, it was found that the percentage return on foreign investments was double the rate of return on domestic investments.

LOOKING FOR A NEW SOURCE OF PROFITS?

Your company's mailing list—customers, prospects, inquiries, etc.—can be rented to *non-competitive* companies for substantial extra income with surprisingly little effort on your part. Tell us about your list and we'll tell you how it works. We'll also send you . .

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(Circle number 157 for more information)

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cerned. If you put your money to work in Switzerland or England under short term conditions, the risk is small. Canada, for example, provides many investment opportunities.

Q. You can bring your profits as close as Canada without tax trouble?

A. Yes. Recognizing this, certain Canadian short term investment people are making attractive opportunities available for U. S. dollars from these foreign base corporations.

Q. Could a company use a foreign base corporation to build up a retirement fund for executives willing to retire to Mexico, Canada, or elsewhere outside the U. S.?

A. This is outside of our direct experience but I have heard of circumstances where this is being done.

Our reaction to that would be to have this checked out very thoroughly with an attorney. Theoretically, something of this type would be possible.

Q. What kind of companies do you feel should be looking at world markets right now?

A. Some types of products lend themselves to foreign business more readily than others, but it's the unprepared businessman today who does not look into the possibility of taking advantage of world markets —for no other reason than to protect the name of his product. The American businessman today is *forced* to give consideration to th influence of foreign markets.

Q. Are foreign markets, generall speaking, growing as fast as th economy of the U. S.?

A. Faster.

Q. How about Africa?

A. Africa is regarded by many peo ple as having the greatest poter tial. It will come into its own som time after Latin America does.

Q. When will Latin America com into its own?

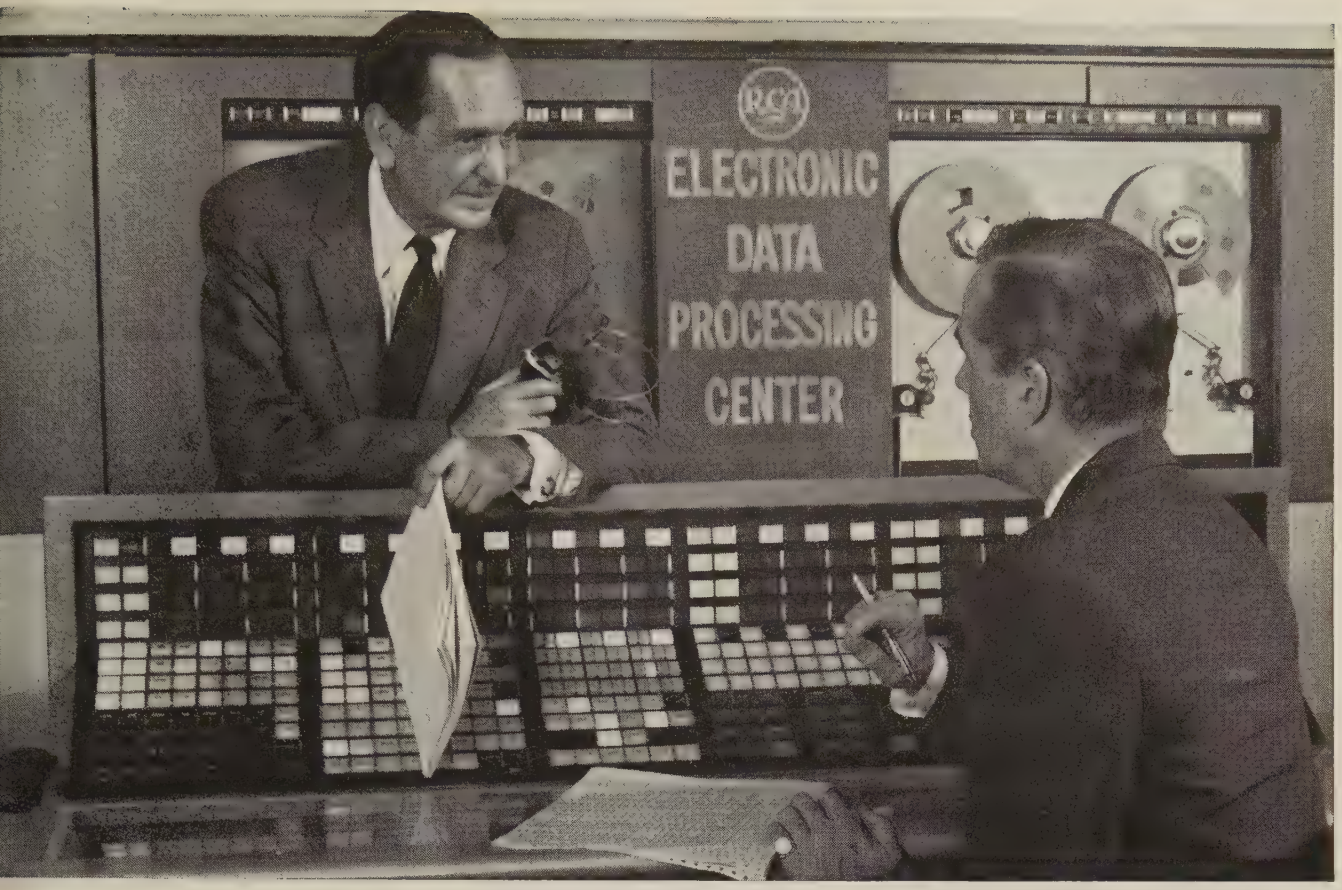
A. It's coming into its own rigl now. The growth rate of the ecor omy in most Latin American cour tries is greater than it is in the U. S And the potential down there i terrific.

Q. Will a foreign base corporatio work for the American firm tha manufactures abroad, then ships it products or components back to th U. S.?

A. Oh, yes. Foreign base corpora tions can be used on both export from the U. S. and imports into the U. S.—any kind of business whicl has at least one leg outside the U. S

Q. What is the minimum amoun of business in foreign markets nec essary to justify the cost of operat ing a foreign base corporation?

A. Annual earnings of $10,000 is a rule of thumb we use for this pur pose. If a company earns at leas that much in foreign markets, there is a good chance it can make profit able use of a foreign base corpor ation. ■



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These same advanced techniques can be applied to many business problems. For example: market forecasting. With less than 5% of total estimated sales reported, sales managers and merchandise controllers normally can accurately forecast annual sales of one or thousands of items. Thus, they can reduce possible losses involved in liquidation of overstocks, lost sales through "out-of-stocks," and the high expenses of carrying unnecessary inventories.

Leading firms and a large number of governmental agencies are already utilizing the tremendous *WorkPower* of the RCA 501. For businesses which need only part-time computer service, RCA offers the facilities of Electronic Data Processing Centers located in important metropolitan areas.

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RADIO CORPORATION OF AMERICA

(Circle number 137 for more information)

Government contracts
continued from page 49

costs and on how to present costs in the best possible manner. He also directed that this expert should help Termin's supplier, Lowertier Co.

"If Lowertier Co. cannot be persuaded and assisted to submit its claim in time for inclusion in our claim to Prime Co.," the president stated, "its claim should be added later. It must not delay our termination claim."

He also stated that any parts which could be used for other work within a year should be excluded from the termination claim. Recovery of cost would be quicker, he reasoned, if the parts were used to reduce the cost of other orders.

Outside help

The treasurer found a contract expert, a man employed by a local electronics firm.

With this Saturday consultant's help, the treasurer completed the claims for each cancelled order, together with supporting inventory schedules and accounting information. The claim came to $250,000.

Since Lowertier Co. was unable to determine which parts it could use for other work, its claim was not included in Termin's report. [On its claim, Termin designated its Settlement Proposal (form DD 540) as "interim."]

Also, Termin Co.'s sales manager submitted an "Application for Partial Payment" (form DD-548) to Prime Co. The Long Form was submitted. If any claims had been for less than $2,500, a Short Form Settlement Proposal (DD-831) could have been used.

Prime Co. reviewed the claims, asked a few questions and sent a man to examine the inventory. Finally, after some prodding by Termin Co.'s sales manager, Prime Co. forwarded the claims to the Air Force.

Altered claim

About this time, Termin Co. received an order from another customer for products that could use some of the parts from the cancelled orders.

The production manager wanted to use those parts for the new order, but the treasurer hesitated. He did not want to upset and delay the termination claim. However, his consultant pointed out that these usable parts would be what the regulation defines as "common items." If the government discovered that the parts could have been used, but were not used, their cost would be disallowed.

Consequently, the parts were withdrawn from the original inventory listed in the first termination claim. As the claim was being revised, Lowertier Co.'s claim came in. It was reviewed, approved, and included in the new claim. The revised claim, marked "final," was sent to Prime Co.

Next, the Air Force sent a man to examine the inventory. He found it to be as stated in the claim. After he left, an auditor arrived. The auditor spent several days checking overhead rates, general and administrative expense rates, spot checking labor and material costs, reviewing methods of allocating costs and going over the accounting periods applicable to the case.

Upon completion of his investigation, the auditor had several questions. He quizzed the treasurer, wh

was able to explain certain questionable items to the auditor's satisfaction. Other items, mostly questions of accounting practice or specific borderline costs, were recommended for disallowance. The treasurer had suspected that most of these would require discussion but had included them in the hope that some would be allowable.

Payment of claim

After the audit, Termin Co.'s sales manager pressed the Prime Co. for partial payment. Eventually, he was able to obtain about $200,000 of the $250,000 claimed. This was, of course, a large percentage of the cost incurred. It covered Termin Co.'s direct and indirect costs (the auditor's disallowances had already been stricken from the claim) but did not include profits.

Several months later, Termin Co. received a letter from Prime Co. listing the amounts the Air Force was willing to pay, based on the audit. Termin Co. had a few objections. The treasurer was able to negotiate minor improvements. The Air Force and Termin Co. then agreed on a final figure including a negotiated amount for profit.

Another delay followed. Because of its size, the settlement had to be reviewed by the Air Force Settlement Review Board. When no objections were found, a settlement agreement was executed by Termin Co. and Prime Co. and the balance of the agreed payment was turned over to Termin Co.

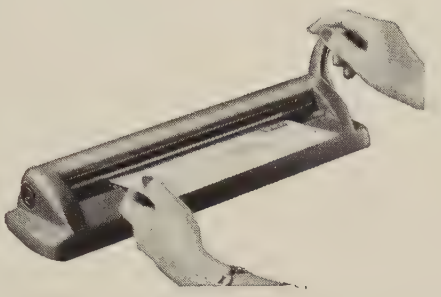
Final cautions

Experience reveals this one fact: terminations are almost inevitable in government work. For your own protection, plan now how to handle termination claims promptly, legally and inexpensively.

As in the case of Termin Co., each department has specific actions to take if a cancellation should occur. If these procedures are set up now, they can be put into effect immediately in any crisis.

The government is fair about terminations. You will be paid, eventually, for provable and allowable costs, usually plus some profit. But don't forget that the government has no incentive to settle promptly. Every step you take to speed up the process will bring you closer to getting back working capital. ■

Checks deposited earlier!



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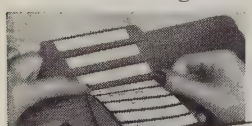

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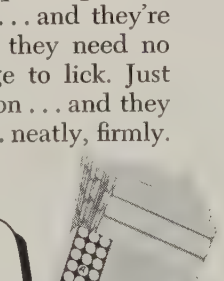

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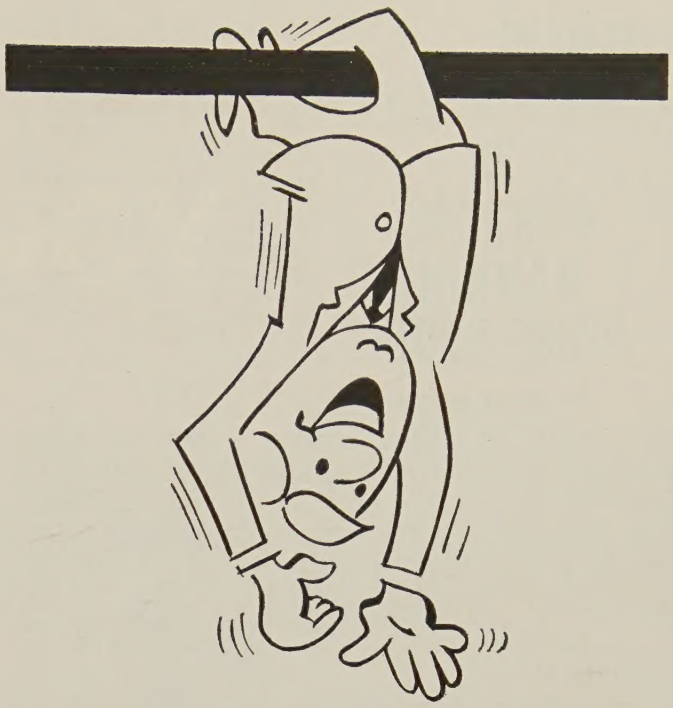

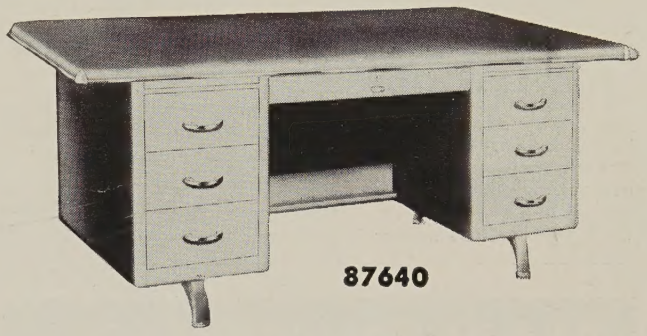

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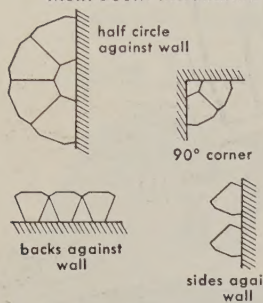

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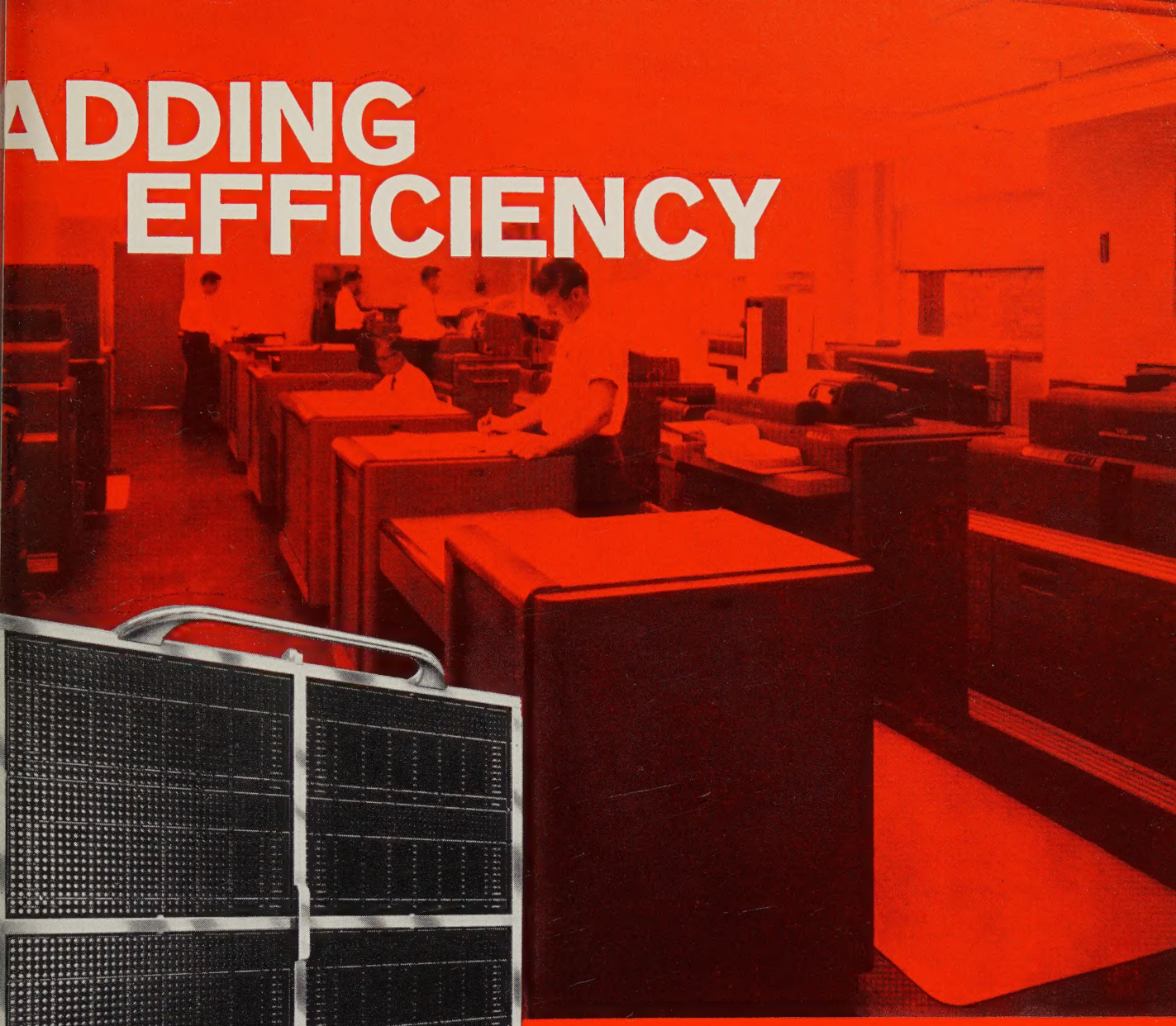

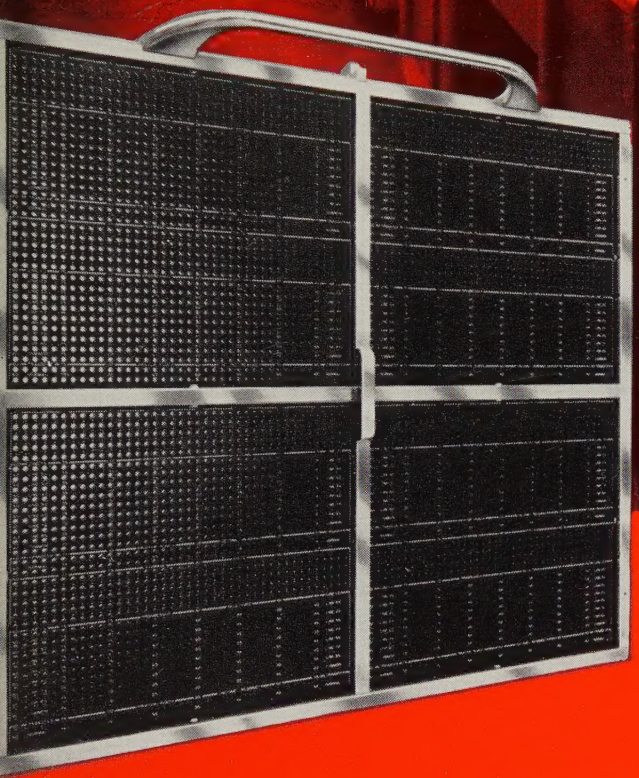

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